

ENTREPRENEURSHIP DEVELOPMENT

(BCM4A13 / BBA4A13)



STUDY MATERIAL

IV SEMESTER

COMMON COURSE FOR

B.Com / BBA

(2019 Admission)

UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

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ENTREPRENEURSHIP DEVELOPMENT**

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Module – I

Concept of Entrepreneur

According to George Bernard Shaw, people fall into three categories: (i) those who make things happen. (2) Those who watch things happen, and (3) those who are left to ask what did happen. Generally, entrepreneurs fall under the first category.

Evolution of the Concept of Entrepreneur

The word ‘entrepreneur’ is derived from the French word *entreprendre*. It means ‘to undertake’. Thus, entrepreneur is the person who under takes the risk of new enterprise. Its evolution is as follows.

➤ **Early Period:**

The earliest definition of the entrepreneur as a go-between is Marco Polo. He tried to establish trade route to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was the risk bearer. The merchant adventurer took the role of trading. After his successful selling of goods and completing his trips, the profits were shared by the capitalist and the merchant.

➤ **Middle Ages:**

The term entrepreneur was referred to a person who was managing large projects. He was not taking any risk but was managing the projects using the resources provided. An example is the cleric who is in charge of great architectural works such as castles, public buildings, cathedrals etc.

➤ **17th Century:**

An entrepreneur was a person who entered into a contractual arrangement with the Govt. to perform a service or to supply some goods. The profit was taken (or loss was borne) by the entrepreneur.

➤ **18th Century:**

It was Richard Cantillon, French Economist, who applied the term entrepreneur to business for the first time. He is regarded by some as the founder of the term. He defined an entrepreneur as a person who buys factor services at certain prices with a view to sell them at uncertain prices in the future.

➤ **19th Century:**

The entrepreneurs were not distinguished from managers. They were viewed mostly from the economic perspective. He takes risk, contributes his own initiative and skills. He plans, organizes and leads his enterprise.

➤ **20th Century:**

During the early 20th century Dewing equated the entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable business. It was Joseph Schumpeter who described an entrepreneur as an innovator. According to him an entrepreneur is an innovator who develops untried technology.

➤ **21st Century:**

Research Scientists live De Bone pointed out that it is not always important that an individual comes up with an entirely new idea to be called an entrepreneur, but if he is adding incremental

value to the current product or service, he can rightly be called an entrepreneur.

Meaning and Definition of an Entrepreneur

An entrepreneur is ordinarily called a businessman. He is a person who combines capital and labour for the purpose of production. He organizes and manages a business unit assuming the risk for profit. He is the artist of the business world.

In the words of J.B. Say, “An entrepreneur is one who brings together the factors of production and combines them into a product”. He made a clear distinction between a capitalist and an entrepreneur. Capitalist is only a financier. Entrepreneur is the coordinator and organizer of a business enterprise. Joseph A Schumpeter defines an entrepreneur as “one who innovates, raises money, assembles inputs and sets the organization going with the ability to identify them and opportunities, which others are not able to fulfil such economic opportunities”. He further said, “An entrepreneur is an innovator playing the role of a dynamic businessman adding material growth to economic development”.

Characteristics of Entrepreneur

An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual. He is a business leader. He has the following characteristic:

- 1) An entrepreneur brings about change in the society. He is a catalyst of change.
- 2) Entrepreneur is action-oriented, highly motivated individual who takes risk to achieve goals.

- 3) Entrepreneur accepts responsibilities with enthusiasm and endurance.
- 4) Entrepreneur is thinker and doer, planner and worker.
- 5) Entrepreneur can foresee the future, seize market with a salesman's persuasiveness, manipulate funds with financial talent and smell error, frauds and deficiencies with an auditor's precisions.
- 6) Entrepreneur undertakes venture not for his personal gain alone but for the benefit of consumers, government and the society as well.
- 7) Entrepreneur builds new enterprises. He possesses intense level of determination and a desire to overcome hurdles and solves the problem and completes the job.
- 8) Entrepreneur finds the resources required to exploit opportunities.
- 9) Entrepreneur does extraordinary things as a function of vision, hard work, and passion. He challenges assumptions and breaks rules.
- 10) Although many people come up with great business ideas, most of them never act on their ideas.

Classification of Entrepreneur

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS

Entrepreneurs are classified into different types. They are

- 1) **Business Entrepreneur:** He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.

- 2) **Trading Entrepreneur:** He is an entrepreneur who undertakes trading activity i.e., buying and selling manufactured goods.
- 3) **Industrial Entrepreneur:** He is an entrepreneur who undertakes manufacturing activities.
- 4) **Corporate Entrepreneur:** He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.
- 5) **Agricultural Entrepreneur:** They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They are called agripreneurs.

B. ON THE BASIS OF USE OF TECHNOLOGY:

Entrepreneurs are of the following types.

- 1) **Technical Entrepreneur:** They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftsmanship. They concentrate more on production than on marketing.
- 2) **Non-Technical Entrepreneur:** These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.
- 3) **Professional Entrepreneur:** He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

- 1) **Pure Entrepreneur:** They believe in their own performance while undertaking business activities. They undertake business ventures for their personal satisfaction, status and ego. They are guided by the motive of profit. For example, Dhirubhai Ambani of Reliance Group.
- 2) **Induced Entrepreneur:** He is induced to take up an entrepreneurial activity with a view to avail some benefits from the government. These benefits are in the form of assistance, incentives, subsidies, concessions and infrastructures.
- 3) **Motivated Entrepreneur:** These entrepreneurs are motivated by the desire to make use of their technical and professional expertise and skills. They are motivated by the desire for self-fulfillment.
- 4) **Spontaneous Entrepreneur:** They are motivated by their desire for self-employment and to achieve or prove their excellence in job performance. They are natural entrepreneurs.

D. ON THE BASIS OF STAGES OF DEVELOPMENT:

They may be classified into;

- 1) **First Generation Entrepreneur:** He is one who starts an industrial unit by means of his own innovative ideas and skills. He is essentially an innovator. He is also called new entrepreneur.
- 2) **Modern Entrepreneur:** He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

- 3) **Classical Entrepreneur:** He is one who develops a self supporting venture for the satisfaction of customers' needs. He is a stereo type or traditional entrepreneur.

E. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY:

They are classified as follows:

- 1) **Novice:** A novice is someone who has started his/her first entrepreneurial venture.
- 2) **Serial Entrepreneur:** A serial entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. He repeatedly starts businesses and grows them to a sustainable size and then sells them off.
- 3) **Portfolio Entrepreneurs:** A portfolio entrepreneur starts and runs a number of businesses at the same time. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities.

F. CLASSIFICATION BY CLARENCE DANHOF:

Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

- 1) **Innovative Entrepreneurs:** They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new methods of production, discovers new markets and reorganizes the enterprise. Innovative entrepreneurs bring about a transformation in lifestyle and are always interested in introducing innovations.

- 2) **Adoptive or Imitative Entrepreneurs:** Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. They copy and learn from the innovating entrepreneurs. While innovating entrepreneurs are creative, imitative entrepreneurs are adoptive.
- 3) **Fabian Entrepreneurs:** These entrepreneurs are traditionally bounded. They would be cautious. They neither introduce new changes nor adopt new methods innovated by others entrepreneurs. They are shy and lazy. They try to follow the footsteps of their predecessors. They follow old customs, traditions, sentiments etc. They take up new projects only when it is necessary to do so.
- 4) **Drone Entrepreneurs:** Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods.

There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

Commercial Entrepreneurs: They are those entrepreneurs who start business enterprises for their personal gain. They undertake business ventures for the purpose of generating sales and profits. Most of the entrepreneurs belong to this category.

Social Entrepreneurs: They are those who identify, evaluate and exploit opportunities that create social values and not personal wealth.

Social values refer to the basic long standing needs of society. They focus on the disadvantaged sections of the society. They play the role of change agents in the society. In short, social entrepreneurs are those who start ventures not for making profits but for providing social welfare.

Entrepreneurial Competency or Traits

Competency is a characteristic of a person, which results in effective and/or superior performance in a job. It is a combination of knowledge, skills and appropriate motives or traits that an individual must possess to perform a given task.

It is defined as characteristics such as generic and special knowledge, motives, traits, self- image, social roles and skills which result in birth of a venture, its survival and/ or growth. In short, the competencies required by an entrepreneur for starting a business venture and carrying it on successfully are known as entrepreneurial competencies.

Types of Entrepreneurial Competencies

It may be classified into two types:

A) Personal Entrepreneurial Competencies:

These are required to perform the tasks effectively and efficiently. This includes the following:

- ✓ **Initiative:** It is an inner urge in an individual to do or initiate something.
- ✓ **Ability to See and Act on Opportunities:** Entrepreneurs look for opportunities and take action on such opportunities.
- ✓ **Persistence:** It means the capacity or skill to take repeated and different actions to overcome obstacles.

- ✓ **Information Seeking:** A successful entrepreneur always keeps his eyes and ear open. He should accept new ideas which can help him in realizing his goals. He is ready to consult experts for getting their expert advice.
- ✓ **Concern for High Quality of Work:** Entrepreneurial persons act to do things that meet or beat existing standards of excellence.
- ✓ **Commitment to Work:** Successful entrepreneurs are prepared to make all sacrifices for completing the commitments they have made.
- ✓ **Commitment to Efficiency:** Entrepreneurial persons have to look and find ways for or find ways to do things faster or with fewer resources or at a lower cost. They should try new methods aimed at making work easier, simpler, better and economical.
- ✓ **Systematic Planning:** Entrepreneurial persons should be able to develop and use the logical step by step plans to reach goals.
- ✓ **Problem Solving:** Entrepreneurial persons are supposed to possess the skill of identifying new and potentially unique ideas to reach goals. They should generate new ideas or innovative solutions to solve problems.
- ✓ **Assertiveness:** They assert own competence, reliability or other personal or company's qualities. They also assert strong confidence in own company's products or services.
- ✓ **Persuasion:** Entrepreneurs should have the ability to

successfully persuade others to perform the activities effectively and efficiently.

- ✓ **Use of Influence Strategies:** Entrepreneurs should have the competence of using a variety of strategies to influence others. Such entrepreneurs can develop business contacts and use influential people to accomplish his/her own objectives.

B) Venture Initiation and Success Competencies:

An entrepreneur must also possess the competencies required for launching the enterprise and for its survival and growth. These competencies may be further divided into two categories of competencies:

1. Enterprise Launches Competencies: These include the following:

- Competency to understand the nature of business.
- Competency to comply with Government regulations.
- Competency to deal with the business.
- Competency to finance the business.
- Competency to locate the business.
- Competency to plan the marketing strategy.
- Competency to choose the type of ownership.
- Competency to obtain technical assistance.
- Competency to develop a business plan.
- Competency to determine the potential as an entrepreneur.

2. Enterprise Management Competencies: These include the following:

- Competency to protect the business.

- Competency to manage customer credit and collection.
- Competency to manage the finances.
- Competency to manage the business records.
- Competency to manage sales efforts.
- Competency to promote the products and services of the business.
- Competency to manage human resources.
- Competency to manage the business.

Entrepreneurial Functions

Entrepreneur is a lead player in the drama of business. According to Kilbt, an entrepreneur has to perform four groups of functions:

1. Exchange Relationship:

- 1) Perceiving market opportunities
- 2) Gaining command over scarce resources.
- 3) Purchasing inputs.
- 4) Marketing of the products and responding to competition.

2. Political Administration:

- 1) Dealing with public bureaucracy (concession, licences and taxes)
- 2) Managing the human relation within the firm.
- 3) Managing customer and supplier relations.

3. Management Control:

- 1) Managing finance.
- 2) Managing production.

4. Technology:

- 1) Acquiring and overseeing assembly of the factory.
- 2) Industrial engineering.
- 3) Upgrading process and product quality.
- 4) Introducing new products.

According to Arther H. Cole, an entrepreneur performs the following functions:

- 1) Determining the objectives of the enterprise and revising the objectives in the light of changed circumstances.
- 2) Developing an organization including efficient relations with subordinates and all employees.
- 3) Securing adequate finance.
- 4) The requisition of efficient technological equipment.
- 5) Developing a market for the products and devising new products to meet customers demand.
- 6) Maintaining good relations with public authorities and with society.

Role of Entrepreneurs in the Economic Development

1. **Employment opportunities:** Entrepreneurs employ labour for managing their business activities and provides employment opportunities to a large number of people. They remove unemployment problem.
2. **Balanced Regional Development:** Government promotes decentralized development of industries as most of the incentives are granted for establishing industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas They remove

regional disparities and bring balanced regional development. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.

3. **Mobilization of Local Resources:** Entrepreneurs help to mobilize and utilize local resources like small savings and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.
4. **Optimization of Capital:** Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.
5. **Promotion of Exports:** Entrepreneurs reduce the pressure on the country's balance of payments by exporting their goods they earn valuable foreign exchange through exports.
6. **Consumer Demands:** Entrepreneurs produce a wide range of products required by consumers. They meet the demand of the consumers without creating a shortage for goods.
7. **Social Advantage:** Entrepreneurs help in the development of the society by providing employment to people and paves for independent living. They encourage democracy and self-governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society.
8. **Increase Per Capita Income:** Entrepreneurs help to increase the per capita income of the country in various ways and

facilitate development of backward areas and weaker sections of the society.

- 9. Capital formation:** A country can attain economic development only when there is more amount of investment and production. Entrepreneurs help in channelizing their savings and savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.
- 10. Growth of capital market:** Entrepreneurs raises money for running their business through shares and debentures. Trading of shares and debentures by the public with the help of financial services sector leads to capital market growth.
- 11. Growth of infrastructure:** The infrastructure development of any country determines the economic development of a country, Entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.
- 12. Development of Trader:** Entrepreneurs play an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, trade credit, overdraft, short term loans, secured loans and unsecured loans and lead to the development of the trade in the country.
- 13. Economic Integration:** Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs promote economic integration in the country by adopting certain economic policies and laws framed by the government. They help in removing the disparity between the

rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.

- 14. Inflow of Foreign Capital:** Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses.

Factor Affecting Entrepreneurial Growth

There are various impediments in the growth of entrepreneurship development, like lack of viable concept, lack of market familiarity, lack of Technical skill, lack of business knowledge, lack of seed capital, lack of self satisfaction, and motivations, social evils, lack of jobs, pressures of time and attention towards other sides, legal obstacles, monopoly, etc., **In India**, various efforts have been made, after independence for entrepreneurship development, both at Government and non-government levels, which includes industrial policy, commercial policy, Licensing Policy, Globalisation, and simplification, etc.,

Following are the key factors affecting entrepreneurship growth in India:

1. Economic Factors:

The economic factors effecting the growth of entrepreneurs in under developed countries are-

- i. Non-Availability of Capital:** To expand the business and grow in future research and development has to be conducted. To conduct a research either equipments have to be purchased or get exported from other developed countries, for this huge

capital is required. Thus the non-availability of huge capital effects the growth of entrepreneurship in the country.

- ii. Non-Availability of Quality Raw Materials and Finished Goods:** Since there is less availability of raw materials throughout the year, they have to be purchased in large quantity and stored during the period of its availability. To purchase heavy quality raw materials, capital has to be borrowed which involves heavy rate of interest. This effects the entrepreneurial growth.
- iii. Lack of Adequate Basic Facilities:** Certain basic facilities such as power facilities, irrigational facilities, latest technology, transport and communication etc., are required for undertaking innovative activities which help in providing increased output and reduce the cost of production. But in under developed country like ours there is in-adequate availability of these basic facilities. The entrepreneur have to get these facilities by themselves where heavy costs have to be beared. Thus again these factors causes hindrance in the growth of entrepreneurs.
- iv. Greater risk involved in the business:**
 - a. Due to seasonal fluctuations of demand there is instability in the market.
 - b. Instability in domestic and foreign economic policies.
 - c. An entrepreneur cannot make correct estimates for his proposed venture as there is lack of correct information, overhead facilities, market demand etc.,Since lot of risks are involved the growth of entrepreneurship is affected.

- v. **Non-Availability of Skilled Labours:** As there are non availability of skilled labours and no proper training facilities available, the entrepreneurs find it difficult to progress with these unskilled labours.

2. Social Factors:

Some of the social factors include-

- i. **Social System:** The social system existing in the locality effect the growth of entrepreneurship in the country. If there is a joint family then one member of the family will not share his wealth with the other member of the family. Thus entrepreneurship cannot be developed.
- ii. **Customs and Traditions:** In few cases customs and traditions play a dominant role in the production decisions rather than critically assessing the facts.
- iii. **Social Set-Up:** In some societies very less importance in provided towards education, training, research etc., and more importance is given towards caste considerations. Thus no entrepreneurs can emerge from such societies who have great aptitude and skills.
- iv. **Rationality of the Society:** In under developed countries most of the societies are non- rational societies which is not suitable for the entrepreneurial growth.

3. Personality Factors:

In under developed countries, the entrepreneurs are looked up as a profit makers and exploiters of the resources and people. Thus causing a problem for the growth of entrepreneurs.

4. Psychological and Sociological Factors:

According to Mc Clelland, “need achievement motive induces entrepreneurship”.

According to Paul Wilken, “entrepreneurship becomes the link between need achievement and economic growth”.

Cole states that, “besides wealth, prestige, entrepreneurs seek power, security and serve the society”.

Rostow had conducted research on inter-generation changes in the entrepreneurial families and found that, the first generation believes in seeking wealth, the second generation in prestige and third generation in art and beauty.

On the basis of motives, Evens has distinguished three kinds of entrepreneurs:

- i. Chief motive of managing entrepreneurs is security.
- ii. Chief motive of innovating entrepreneurs is excitement,
- iii. Chief motive of controlling entrepreneurs are power and authority.

Thus many psychological and sociological factors affect the growth of entrepreneurs.

5. Cultural Factors:

If the cultural factors prevailing in the country does not attach great value to business talents, industrial leadership etc., then entrepreneurs, people may not prefer to start up a new venture. Thus entrepreneurship is not developed.

Entrepreneurship

In the words of Stevenson and others, “Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity.” According to A.H. Cole, “Entrepreneurship is the purposeful activities of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit oriented business unit for the production or distribution of economic goods and services”.

All activities undertaken by an entrepreneur to bring a business unit into existence are collectively known as entrepreneurship. It is the process of changing ideas into commercial opportunities and creating values. In short, entrepreneurship is the process of creating a business enterprise.

Meaning

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes is with a combination of land, natural resources, labour and capital.

In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

Definition

Founder and CEO of NeuroFlow Christopher Molaro says, “Entrepreneurship means being the one that is willing to take a leap, work hard enough to sacrifice everything else around you, all in the name of solving problems because no one else is capable or possesses the desire.”

Nicole Faith, Founder of 10 Carat Creations, breaks it down: “Being an entrepreneur means having a plan and vision but still succeeding or trying to succeed when the plan falls apart and you’re left with only your vision. It also means knowing when to give up, especially if your idea isn’t working due to forces outside of yourself.”

Entrepreneur vs Intrapreneur

As both entrepreneur and intrapreneur share similar qualities like conviction, creativity, zeal and insight, the two are used interchangeably. However, the two are different, as an **entrepreneur** is a person who takes a considerable amount of risk to own and operate the business, with an aim of earning returns and rewards, from that business. He is the most important person who envisions new opportunities, products, techniques and business lines and coordinates all the activities to make them real.

On the contrary, an **intrapreneur** is an employee of the organization who is paid remuneration according to the success of the business unit, for which he/she is hired or responsible.

The primary difference between an entrepreneur and intrapreneur is that the former refers to a person who starts his own business with a new idea or concept, the latter represents an employee who promotes innovation within the limits of the organization.

Basis for Comparison	Entrepreneur	Intrapreneur
Meaning	Entrepreneur refers to a person who set up his own business with a new idea or concept.	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc.
Approach	Intuitive	Restorative
Resources	Uses own resources.	Use resources provided by the company.
Capital	Raised by him.	Financed by the company.
Enterprise	Newly established	An existing one
Dependency	Independent	Dependent
Risk	Borne by the entrepreneur himself.	Taken by the company.
Works for	Creating a leading position in the market.	Change and renew the existing organizational system and culture.

Women Entrepreneurs

Of late entrepreneurship amongst women has become a topic of concern for all of us. Since women constitute nearly fifty percent of the total population of our country, it is necessary they play a positive and constructive role in the socio-economic development of the country. After Independence a good deal of attention has been given to spread of literacy, increasing employment through industrial development and improving health and quality of life of women in the country.

Women entrepreneurs may be defined as the woman or a group of women who initiate, organize and operate a business enterprise. Any women or group of women which innovates, initiates or adapts an economic activity may be called women entrepreneurship.

Scope of Women Entrepreneurship

In rural areas where agriculture is the prominent activity, agro-based industries like food preservation, bakery, dairy, poultry can be taken up by women. They have been helping men in all these activities without getting any credit or money with a little training they could do it on their own in a business like manner. In areas where forests predominate, forest preservation, collection, assortment and classification of medical plants too can be done by them.

In districts where industries are located, spare parts and ancillary units can be managed by women. Apart from traditional industry, women should also be encouraged in mechanical and electrical activities. They can be trained in maintenance and repairs of all small machineries and they can be encouraged to start small workshops. Technical institutes can train girls and encourage them towards self-employment.

In urban parts, apart from teaching, nursing and other traditional occupations, there are many new areas where women can start on their own. With modern technological revolution, the field is vast and open, Electronics, computer services, information and consultancy services, advertising and publicity are some of the areas that women entrepreneurs can explore. What they need is training, finance and the cooperation and encouragement from the family, the society and the governmental organisations. That will enable women entrepreneurs to enter the mainstream of the country's economy, which in turn will speed up the economic development of our country.

Recent Developments in Women Entrepreneurship (Empowerment)

Women empowerment should be one of the primary goals of a society. Women should be given equality, right of decision-making

and entitlements in terms of dignity. They should attain economic independence. The most important step to achieve women empowerment is to create awareness among women themselves. Development of women can be achieved through health, education and economic independence. Realizing the importance of women entrepreneurs, Govt. of India has taken a number of measures to assist them. Some of the important measures are outlined as follows:

1. **TRYSEM:** Training of Rural Youth for Self Employment was launched on 15th August 1979 which is still continuing. The objective of TRYSEM is to provide technical skills to rural youth between 18 and 35 years of age from families below the poverty line to enable them to take up self employment in agriculture and allied activities, industries, services and business activities. This is a sub scheme of IRDP. Training given through ITIs, Polytechnics, Krishi Vigyan Kendra, Nehru Yuva Kendras etc has helped many rural women set up their own micro enterprises with IRDP assistance.
2. **BANKS:** Banks particularly commercial banks have formulated several schemes to benefit women entrepreneurs. These includes Rural Entrepreneurship Development Programmes and other Training programmes, promotion of rural non-farm enterprise, women ventures etc.
3. **NABARD:** NABARD as an apex institution guides and assists commercial banks in paying special attention to women beneficiaries while financing. It has also been providing refinance to commercial banks so as to help the latter institutions to supplement their resources which could be deployed for the purpose of financing women beneficiaries.

4. **INDUSTRIAL POLICY:** The new Industrial policy of Government has specially highlighted the need for conducting special entrepreneurship programme for women.
5. **INSTITUTIONS AND VOLUNTARY ASSOCIATION:** Several voluntary agencies like **FICCI Ladies Organization (FLO)**, **National Alliance of Young Entrepreneurs (NAYE)** and others assist women entrepreneurs.

NAYE has been a leading institution engaged in the promotion and development of entrepreneurship among women. It convened a conference of women entrepreneurs in November 1975. It assists the women entrepreneurs in:

- (a) Getting better access to capital, infrastructure and markets.
 - (b) Identifying investment opportunities.
 - (c) Developing managerial and productive capabilities.
 - (d) Attending to problems by taking up individual cases with appropriate authorities.
 - (e) Sponsoring participation in trade fairs, exhibitions, special conference etc.
6. **NATIONAL POLICY FOR THE EMPOWERMENT OF WOMEN, 2001:** As to the commitments made by India during the Fourth World Conference on women held in Beijing during September, 1995, the Department of women and children has drafted a national policy for the empowerment of women. This is meant to enhance the status of women in all walks of life at par with men.

Assistance to Women Entrepreneurs

Entrepreneurship does not differentiate the sex. A number of facilities

and assistance are offered to the entrepreneurs. However, certain additional incentives or facilities offered to women entrepreneurs are discussed as follows.

1. SMALL INDUSTRIAL DEVELOPMENT ORGANISATION (SIDO):

SIDO through a network of SISIs conduct the EDPs exclusively for women entrepreneurs. The aim is to develop entrepreneurial traits and qualities among women and enable them to identify entrepreneurial opportunities etc.

2. NATIONAL SMALL INDUSTRIES CORPORATION (NSIC):

The H.P. scheme of NSIC provides preferential treatment to women entrepreneurs. It also conducts Entrepreneurs and Enterprise Building programmes for women.

3. INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) :

The schemes of IDBI for women entrepreneurs are summarized as follows:

Promoter’s Contribution: The IDBI set up the *Mahila Udyan Nidhi (MUN)* and *Mahila Vikas Nidhi (MVN)* schemes to help women entrepreneurs. IDBI conduct programmes of training and extension services through designated approved agencies and association with other development agencies like EDII, TCOs, KVIC etc.

4. SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI):

SIDBI has special schemes for financial assistance to women entrepreneurs. It provides training and extension services. It gives financial assistance at concessional terms in setting up tiny and small units.

5. COMMERCIAL BANKS: The “*Sthree Shakthi Package Scheme*” of SBI provides a package of assistance to women

entrepreneurs. The consultancy wings of SBI give guidance on project identification and project viability. The program of assistance such as repair and servicing, photo copying, dry cleaning, retail trade business enterprises, poultry farming, tailoring etc. The Bank Of India has introduced a scheme known as ‘Priyadarshini Yojana’ to help women entrepreneurs.

- 6. KUDUMBASREE UNITS:** With the objectives of poverty eradication and women empowerment Kudumbasree has been introduced in Kerala. The poor women are organised into community- based organisations. They start and operate micro enterprise. They earn income through self-employment.

Problems of Women Entrepreneurs

The basic problem of a woman entrepreneur is that she is a woman. Women entrepreneurs face two sets of problems specific to women entrepreneurs. These are summarized as follows.

- 1) Shortage of Finance:** Women and small entrepreneurs always suffer from inadequate fixed and working capital. Owing to lack of confidence in women’s ability, male members in the family do not like to risk their capital in ventures run by women. Banks have also taken negative attitude while lending to women entrepreneurs. Thus women entrepreneurs rely often on personal saving and loans from family and friends.
- 2) Shortage of Raw Material:** Women entrepreneurs find it difficult to procure material and other necessary inputs. The prices of many raw materials are quite high.
- 3) Inadequate Marketing Facilities:** Most of the women entrepreneurs depend on intermediaries for marketing their products. It is very difficult for the women entrepreneurs to

explore the market and to make their product popular. For women, market is a ‘chakravyuh’.

- 4) **Keen Competition:** Women entrepreneurs face tough competition from male entrepreneurs and also from organized industries. They cannot afford to spend large sums of advertisement.
- 5) **High Cost of Production:** High prices of material, low productivity. Under utilisation of capacity etc. account for high cost of production. The government assistance and subsidies would not be sufficient for the survival.
- 6) **Family Responsibilities:** Management of family may be more complicated than the management of the business. Hence she cannot put her full involvement in the business. Occupational backgrounds of the family and education level of husband has a direct impact on the development of women entrepreneurship.
- 7) **Low Mobility:** One of the biggest handicaps for women entrepreneur is her inability to travel from one place to another for business purposes. A single women asking for room is looked upon with suspicion. Sometimes licensing authorities, labour officials and sales tax officials may harass them.
- 8) **Lack of Education:** About 60% of women are still illiterate in India. There exists a belief that investing in woman’s education is a liability, not an asset. Lack of knowledge and experience creates further problems in the setting up and operation of business.
- 9) **Low Capacity to Bear Risks:** Women lead a protected life dominated by the family members. She is not economically independent. She may not have confidence to bear the risk

alone. If she cannot bear risks, she can never be an entrepreneur.

- 10) **Social Attitudes:** Women do not get equal treatment in a male dominated society. Wherever she goes, she faces discrimination. The male ego stands in the way of success of women entrepreneurs. Thus, the rigid social attitudes prevent a woman from becoming a successful entrepreneur.
- 11) **Low Need for Achievement:** Generally, a woman will not have strong need for achievement. Every women suffers from the painful feeling that she is forced to depend on others in her life. Her pre-conceived notions about her role in life inhibit achievement and independence.
- 12) **Lack of Training:** A women entrepreneur from middle class starts her first entrepreneurial venture in her late thirties or early forties due to her commitments towards children. Her biggest problem is the lack of sufficient business training.
- 13) **Lack of Information:** Women entrepreneurs sometimes are not aware of technological developments and other information on subsidies and concessions available to them. They may not know how to get loans, industrial estates, raw materials etc.,

Remedial Measures

To overcome all such problem efforts are being taken by all the agencies on the following lines:

- **Promotional Help:** To formulate project in a proper form and also in drafting project report, getting concurrences from various authorities for different purposes.
- **Training:** Achievement of motivation and training in the particular industry are also being imparted.

- Selection of Machinery and Technology: Suitable assistance in the choice of appropriate machinery and equipment must be provided.
- Finance: Banks and other institutions agencies are adopting special schemes for rendering assistance women entrepreneurs. Concessions and preferences are also given to them.
- Marketing Assistance: Providing information relating to the market condition, price level competition and other things too, women entrepreneurs will greatly relieve them from too much of torture.
- Besides that, they too should possess certain qualities to become successful entrepreneurs by overcoming the problem as women.

Entrepreneurial Development Programmes – EDP

Introduction

Entrepreneurship development depends upon the prevailing economic system. The existing socio-political set up and the prevailing economic policies of the Government determine the economic system. The entrepreneurship development is mainly due to the existence of such economic system. It is the entrepreneurship development that acts as a filip to new, structure of the economy and economic reforms too. The economic system differs from country to country and hence the process of entrepreneurship development differs.

The mixed economic system has been found in existence in all developing countries including India. Under this system both the Government and individual entrepreneurs play an equal role in the entrepreneurship development. The government undertakes those

activities which are vital for further economic advancement.

In a mixed economy though there are ample opportunities for the entrepreneurship development with the help of the Government support, entrepreneurship development is hindered by the deep rooted evils like religious conflicts, political instability and unethical practices like smuggling, corruption and adulteration.

Objectives / Importance of Entrepreneurship Development

The need for entrepreneurship development was not felt by the classical economists like Adam Smith and David Ricardo. They thought that capital formation led to economic development.

But according to Schumpeter, the rate of economic growth depends upon the number of innovations introduced by the entrepreneurs and the extent with which the financial institutions come forward to finance the new venture businesses which are associated with high risks. He considered the fact that, the prevailing entrepreneurship development determines the economic growth and innovation itself is of no use unless it is made available to the public through new product and the activities involved in such processes are called as ‘entrepreneurship’.

According to him innovative entrepreneurs are essential for industrialisation, though imitative entrepreneurs are also equally playing their role in industrialisation. Japan is the best example for industrialisation with the imitative entrepreneurs.

The entrepreneurship development is needed on the following grounds

1. Optimum Utilisation of Resources

Natural resources are getting depleted over a period of time. Some of

the resources are almost scarce and it is the responsibility of the entrepreneurs to identify the alternative sources of supply of resources and also to make use of the existing resources without doing much harm to the environment.

2. Improved Standard of Living

The living conditions of the people could be improved through planned entrepreneurship development programme. Entrepreneurs use the latest technology and manufacture those products which are essential to all people at the lowest cost and thereby try to improve the living standard of the people.

3. Ensure Industrialisation

A country is said to be advanced if there is an existence of adequate industrial units of big and small in size. The existing entrepreneurship development programmes create a congenial atmosphere for the aspiring and young entrepreneurs to come forward to set up industrial units especially in the industrially backward regions.

4. Innovation is the gateway

Innovation takes place in all fields activities. The application of computers enable businessmen and Government to expedite their business activities. Marked improvement has been taken place in the filed of communication due to the application of innovative technology.

5. Allow Global Market Entry

Entrepreneurship' development enables the manufactures to manufacture products of international quality and thereby try to enter into the global market and compete with the products of other nations.

Pre-requisites for Entrepreneurship Development

Development does not mean the setting up of large scale industrial units. The settings up of a small scale industrial unit also play an equivalent role in the economic development.

1. Incubator Facilities

‘Incubators’ have been used in U.S.A. to develop entrepreneurs for small scale industries. It enables them to I translate their laboratory research into commercial products and thereby help consumers to enjoy the benefits of the recently found technology. Venture capital financing firms in these days come forward to provide incubator facilities to the entrepreneurs.

These firms select viable projects and extend not only their financial. Assistance’ but also their managerial and marketing experiences so as to enable them to stand on their own legs.

2. Linkage of Research and Development

Entrepreneurship development depends upon a perfect linkage between the entrepreneurs and Research and Development institutions. The very objective of setting up of Science Park is to enable the entrepreneurs’ to acquaint themselves with the latest research developments. It helps them to establish suitable small: scale industries and thereby improve the economic standard.

3. Cultural Behaviours

The existing cultural value is such that entrepreneurs find it: difficult to change the living style of the people. There is a wide gap between the educated and the uneducated, rural masses and urban masses, indigeneous method of production and industrial; method of production

and the like. Because of these variation the: entrepreneurship development is said to be sluggish.

4. Cumbersome Formalities

Entrepreneurial growth is affected by:

- Strict Government's control on prices.
- Foreign competition.
- Poor infrastructure.
- Inadequate training facilities including education and
- Cumbersome formalities to be fulfilled at the time of setting up of industrial units.

Besides there is no adequate investment for training, ambiguity in the entrepreneurship development programmes and entrepreneurial information system.

5. Other Obstacles

- Inadequate marketing information.
- Frequent change of Government and its economic policies.
- Inadequate monetary incentives that commensurate with the risks.
- Absence of data bank.

Phases or Process of EDP

It starts from identifying the potential and right candidates, linkage suitable project with each one, training and developing the managerial and entrepreneurial capabilities, counselling and motivating the entrepreneur and providing the required follow-up support to help the entrepreneurs in establishing venture. The task of developing

entrepreneurs consists of the following activities:

- Identifying and carefully selecting those who could be trained as entrepreneurs.
- Developing their entrepreneurial capabilities
- Ensuring that each potential entrepreneur has a viable industrial project
- Equipping the entrepreneurs with basic managerial understanding.
- Helping them to secure necessary financial, infrastructural and other assistance so that an industrial venture materialises within the shortest possible time.

Need for identification

India is a vast country with abundant natural resources. Poverty and unemployment prevail in India because of underutilisation of natural and human resources. The government is aiming at full employment and faster economic growth through planned five year plans. It also wants to bring a balanced socio-economic development. The Govt. formulates new schemes and projects on continuous basis such as Prime Ministers Rozkar Yojana etc. Which involves investments of thousands of Crores of Rupees and then go for the competent takers of the scheme?

The need for a broad-based entrepreneurial class in India arises from the need to speed up the process of activating the factors of production, leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, Improvement in the standard of living of the weaker sections of the society etc.

Besides that, many employees in industry and commerce, workers, supervisors, merchants and salesmen and number of young engineers and graduates had latent entrepreneurial skills and a desire or capacity to be self-employed. Many lacked self-confidence to come forward for their own ventures. So, developing a programme to identify these people and give them counselling and continuous training will help to generate successful entrepreneurs in a large scale.

Identification & Selection

The inputs of identification and selection must be appropriately and comprehensively blended as per the requirement and needs of the locality and the objectives set by the collaborating agencies for entrepreneurial development programme. An integrated approach of entrepreneurial identification and selection involves several functions at different stages.

Stage 1

- Contacts with local agencies
- Defining the target area, resource and Clientile etc.,
- Development of application bank and media planning.

Stage 2

- Written Test
- Group Test
- Interview

Stage 3: Training design and its stratification.

This multi-stage identification process helps to discriminate the potential person from the universe against the non-potential candidates at different stages. The total activities to be adopted under this integrated approach are given below:

Stage 1

1. Definition of target area-who will be the potential entrepreneur? what are their background education, level of income etc?
2. Study of predominant skills - what are technical background, tradi-tional skills of people, and inherited professional occupation etc?
3. Studying Existing Resources - what kind or raw materials, institutional support and infrastructure support are available in that region? Can they really facilitate the subsequent training and follow up entrepreneurs in the particular state or region?
4. Study of potential demand – what are the consumer demands and what people really need to purchase, export or import, what is the marketability of the product within or outside the locality?

Stage 2

1. Structuring application blank and releasing advertisement for the programme.
2. Developing appropriate text and media mix, leaflets, posters etc. for growing awareness and interest in the target group.
3. Exploring further linkage to foster the identification process at the local level

Stage 3

1. Strengthen the linkage agencies to enable them effectively guage pre-programme operation.
2. Involve the local collaborating institution in the pre programme operation.

3. If possible, obtain their commitment on critical issues of support, viz., on finance, raw material, land etc.
4. Finalise the selection tools and techniques.

Selection of Entrepreneurs

After identifying the basic requisites of entrepreneurs in terms of their qualities and skills, it is essential to adopt a selection process for choosing at persons who are having real entrepreneurial aptitude. This task of selection work helps to develop them in the proper perspective and develop them as successful entrepreneurs,

The selection process usually consists of three stages, viz.,

- ✓ Preliminary screening of applications
- ✓ Assessment of candidates' entrepreneurial abilities
- ✓ Ascertainment of the need for training.

In this selection process, persons possessing a minimum level of entrepreneurial traits and having experience in or familiarity with commercial or industrial activity could be getting the opportunity of being selected. Technically qualified candidates having no work, experience may be selected if their entrepreneurial capacity is adequate and if they are ready to undertake smaller, simpler projects consistent with their overall background and know-now.

Then, the next step in the selection process is selecting the candidates for training who without comprehensive training inputs could not set up independent units. This helps to assess the need for training, developing training method period etc. This type of selection is considered mainly to avoid wastage of resources and to optimally utilise the limited training and development facilities.

Interview Process

Interviewing by itself is a delicate process; therefore greater care must be taken in its conduct. Interviewing procedure necessarily aim at confirming the personality, data indicated by the candidate during the pre-selection and selection stage. Interview can also include certain simulation games and activities test to understand the candidates better. This requires the formation of expert group with different specialisation viz., entrepreneurial studies and behavioural science, from industrial departments, development authority, from commercial and development banks etc. This gives a base for integration of various functional input in discrimination and development of entrepreneurs from the initial stage itself.

Thus in the selection process, persons possessing a minimum level of entrepreneurial traits (normally decided by a cut-off point in the scores) and having experience in or familiarity with commercial or industrial activity stand a better chance of being selected. After the selection process is over, those entrepreneurs possessing concrete project proposals and needing only procedural information guidance must be encouraged to directly seek financial assistance and set-up industries. Those candidate who needed strengthening of entrepreneurial and managerial capabilities may be admitted into training programme.

Methods of Entrepreneurial Training

Imparting training is the key component in any entrepreneurial development programme. Entrepreneurs are not just born but are developed and trained to assume entrepreneurial venture boldly. Both our union and state governments have also realised the significance of training in effectuating the self-employment schemes. The selected candidates with basic entrepreneurial traits and keen to enter into the

venture are selected to impart training. training gives proper orientation and exposure to the trainees and motivate the potential entrepreneurs to take-up and manage the commercial' venture successfully. The main objective of (entrepreneurial training is to develop motivation and competence necessary for successful launching, management and growth of the enterprise. The training process can have a inbuilt design of discriminating or screening out the potential entrepreneurs. Hence, it is verymuch essential for the budding entrepreneurs to make use of the training opportunities. This highlighted in the exhibit to impart effective training, package has to be developed consisting of the following components:

- Achievement Motivation
- Product selection and project report
- Business management guidance
- Practical training and
- Work experience a Validation Training inputs etc.

These training inputs will develop the selected trainees into “Well-rounded, competent entrepreneurs”. The brief description of various inputs of training programme is given below.

1. Achievement Motivation

In the first phase, as intensive achievement motivation training, through a short period residential programme is given to develop the entrepreneurial traits such as need to achieve, risk taking, initiative, etc. The motivation inputs serve to

- (i) Increase the need for achievement;
- (ii) help participants realistically to define their goals and work towards their achievement; and
- (iii) heighten their self awareness.

2. Product Selection and project Report

In the initial stage of the programme itself, guidance sessions are held on selecting an appropriate industrial opportunity for each trainee consistent with his experience, competence and overall capabilities. Perceiving a profitable opportunity for commercial exploitation is an essential quality of an entrepreneur. By providing inputs on various feasible industrial opportunities through a team of experts (successful industrialists, leading traders and merchants in manufactured commodities and technical advisers from State industrial agencies), the programme covers this pre-condition into an information input. Inadequate knowledge of an opportunity or a clear project proposal need not be a handicap in aspiring to be an owner entrepreneur. The training culminates in the completion of a project report by each trainees. It is found to expose the particulars to the thought process and field experience necessary for the rational choice of business, product-line market mix, etc., and determining their feasibility in light of environmental constraints opportunities. It also constitutes an instrument for raising finance for the project and thereby links up completion of training with the support of financial institutions for implementation.

3. Market Survey

The participants should be given opportunity to actually conduct market surveys for their chosen, projects. This would help to expose the trainees to the marketing avenues available and could be followed by sessions on methods of dealing in the markets.

4. Business Management Guidance

The small-scale entrepreneur has to be a manager since he cannot employ specialists to look after the multiple business decision of sales,

finance, purchase, personnel etc.

It is essential for better performance, the new (trainee) entrepreneur emerging from the ranks employees and fresh graduates usually possess familiarity and experience in only one area, either of production, sales or supervision.

The syllabus has been developed in consultation with operating entrepreneurs, trade and industry experts and past trainees. It aims at enabling the participants to look at an enterprise in totality and introduces them to the elements of planning, budgeting and control as aids to good management.

Knowledge of problem-solving through group discussions, syndicate presentation, case studies and business games may be given due emphasis on the syllabus. Business inputs are given through specialists in different subjects drawn from professionals, business and industry executives, experts of State Industrial Corporations and small-scale entrepreneurs.

5. Practical Training and Work Experience

Field trips to selected industrial units are arranged to expose trainees to the operational conditions. For those lacking in industrial experience, a six hours day in-plant training is arranged in relevant operating factories as long as required. A well-equipped Technical Training Workshop has to be set up by the Corporations which develops industrial skills among fresh trainees and offers product development opportunities.

6. Validation of Training Inputs

Tests of comparative performance of trained entrepreneurs under the programme who set up industries versus those who were rejected in

the selection tests for the training but who nevertheless set up industrial units, validated the inputs package.

Follow-Up

The success of any entrepreneurial development programme lies on the follow-up measures and continuous monitoring of the training institutions and agencies. Follow-up may “be taken on all the three stages, viz., Pre-training, training and post-training stages of entrepreneurship development programme.

Pre-training follow-up measures consists of evaluation of training infrastructure training, syllabus and entire training schedule etc. Similarly, the post-training follow up measures have to be taken mainly for the purpose of helping the entrepreneurs to achieve technical, managerial, marketing and financial assistance from various supporting agencies without much difficulties.

The follow-up process normally consists of the following activities.

- Preparation of history cards for each trainee with the details of bio-data, performance on the tests and interviews, traits before and after the training a keeping in touch with each entrepreneur who have undergone EDP.
- Regular system of reporting should be developed to get feedback on the performance of entrepreneurs.
- Project leaders have to contact the entrepreneurs by personal visits periodically.
- Convening follow-up meeting and maintaining follow-up records-will ensure success of the entrepreneurial development programmes.

- Continuous assessment of the impact of all developmental activities undertaken by the agencies based on certain criteria's. They may be activity level of respondents, new business or activity started, Fixed Capital investment made, Total investments made, number of people employed, number of jobs created, mean increase in profits, diversification, quicker repayment of loan, improvement in the quality of products etc.

Module II

Institutional Support and Incentives to Entrepreneurs

Introduction

Entrepreneurs need some support from outside agencies supporting project preparation and evaluation. Similarly support is needed for technological upgradation of the entrepreneurial venture. Entrepreneurs need money for initial investment in their business. After doing business for few years, entrepreneurs will try to expand their business or diversify their business. Expansion or diversification needs substantial investment. Investment support facilities must be made available to them for expansion and diversification of their business. Hence, financial support system is needed to the entrepreneurs.

Entrepreneurs in the normal situation do not aware of the management techniques. They need managerial support to run their business efficiently and successfully.

Entrepreneurship Development Institute, Management Institute, Financial Institutions and Academic Institutions provide managerial support to the small scale industries.

Marketing is the nucleus of any business enterprise. Large scale enterprises have enough money to spend for advertisement and sales promotional activities for marketing their products and to increase their market share in the days to come. They have brand value also.

Whereas, SSIs are not in a position to compete with them and hence they require market support system.

Thus, Financial, Marketing, Managerial and technological support are needed to SSIs not only for industrial development but also overall economic development of our country.

In order to accelerate the small industries development, Government at the Central and State levels have set up a number of development agencies/ institutions. All India Financial Institutions - IDBI, IFCI, ICICI - have promoted / sponsored a number of technical Consultancy Organisations (TCOs) to assist small entrepreneurs in different ways. Recently, the small Industries Development Bank of India (SIDBI) has been established to help small scale units. In addition to these institutions there are agencies like National Science and Technology Entrepreneurship Board, Khadi and Village Industries Commission, Commercial Banks, Exim Bank and Co-operative Banks who undertake Promotional activities aiming at facilitating industrial development. A brief description about various institutions which are rendering support for promoting entrepreneurship is given below.

Institutional Support

To strengthen the marketing efforts of SSIs. Government has extended various types of assistances such as market research survey studies, dissemination of information relating to market and various marketing aspects, sub contracts exchange, quality marketing scheme, ancillary pro-motion, publicity, exhibitions, trade fairs, displays, training programmes, seminars, open house discussions, buyer seller meets, marketing consul-tancy services, trade centres and export marketing assistance.

There are some institutions (Central and States) and schemes to extend marketing support to the small scale enterprises. Marketing support is the felt need of the hour to the small scale enterprises in India. The small scale enterprises are in need of institutional support to market their products and to survive in the business.

In order to assist the small scale industries in their marketing programme. Government of India and State Governments have established various institutions, such as

- National Small Industries Corporation
- State Small Industries Corporation.
- Small Industries Development Organisation
- Khadi and Village Industries Commission,
- Export Promotion Councils, Commodity Boards,
- State Trading Corporation,
- Minerals and Metals Trading Corporation, etc.,

Entrepreneurship and Financial Support

Finance is the lifeblood of any entrepreneurial venture. It is a basic requirement to commence a project. Entrepreneurs are in need of capital to start business and they can get financial assistance at every stage of business. Entrepreneurs should plan in advance to procure the needed finance for investment from the external sources. They should identify the financial institutions providing financial assistance for their projects. Financial institutions provide financial

assistance to meet fixed capital working capital and venture capital requirements of the entrepreneurs.

Types of Finance

Entrepreneurs require three types of finances depending upon their nature of business. They are:

Short Term Finance

Short term finance refers to funds required to meet the commitments during the shorter period of time i.e., less than one year. Short term finance is used to meet the temporary working capital of the enterprise. Short term financial requirements can be met through the following sources:

- a. Bank Credit
- b. Trade Credit
- c. Instalment Credit
- d. Customer Advance

Medium-Term Finance

Medium term refers to a period of five years. Medium term finance is required to meet permanent working capital needs, to expand the business, to replace certain assets and to meet the expenses for modernization. Medium term financial requirements can be fulfilled through the following source:

- a. Issue of shares and debentures
- b. Loans from the financial institutions and commercial banks
- c. Ploughing back of profits
- d. Public deposits

Long-Term Finance

Long term refers to the period exceeding five years. Long term finance is required to purchase fixed assets, establish a new business, and to meet the expenses of expansion and modernization of the business enterprise. The sources of long term finance are listed below:

- a. Issue of shares and debentures
- b. Long from the financial institutions providing long term finance
- c. Ploughing back of profit

Working Capital Support

Working capital refers to the capital required to meet the day-to-day expenses/commitments of the business enterprise. Working capital needs could be fulfilled through loans from the commercial banks in the form of hypothecation or pledge. Working capital assistance is also given by finance companies, state financial corporations and Cooperative banks.

Fixed Capital Support

Fixed capital refers to the capital required to purchase fixed assets such as land and buildings, plant and machinery, furniture etc., Fixed assets are used for processing the inputs and for getting standard output. Fixed capital needs could be fulfilled through market borrowings and term loans from the financial institutions as given below.

Institutional Framework

Department of Industries and Commerce (DIC)

The ‘District Industries Centre’ (DICs) programme was started by the central government in 1978 with the objective of providing a focal

point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place. The finances for setting up DICs in a state are contributed equally by the particular state government and the central government. To facilitate the process of small enterprise development, DICs have been entrusted with most of the administrative and financial powers. For purpose of allotment of land, work sheds, raw materials etc., DICs functions under the ‘Directorate of Industries’. Each DIC is headed by a General Manager who is assisted by four functional managers and three project managers to look after the following activities:

Objectives of District Industries Centre (DIC):

The important objectives of DICs are as follow:

1. Accelerate the overall efforts for industrialization of the district.
2. Rural industrialization and development of rural industries and handicrafts.
3. Attainment of economic equality in various regions of the district.
4. Providing the benefit of the government schemes to the new entrepreneurs.
5. Centralization of procedures required to start a new industrial unit and minimization- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

Functions of District Industries Centre (DIC):

- i) Acts as the focal point of the industrialization of the district.
- ii) Prepares the industrial profile of the district with respect to:

- iii) Statistics and information about existing industrial units in the district in the large, medium, small as well as co-operative sectors.
- iv) Opportunity guidance to entrepreneurs.
- v) Compilation of information about local sources of raw materials and their availability.
- vi) Manpower assessment with respect to skilled, semi-skilled workers.
- vii) Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.
- viii) Organizes entrepreneurship development training programs.
- ix) Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
- x) Gives SSI registration.
- xi) Prepares techno-economic feasibility report.
- xii) Advices the entrepreneurs on investments.
- xiii) Acts as a link between the entrepreneurs and the lead bank of the district.
- xiv) Implements government sponsored schemes for educated unemployed people like PMRY scheme, Jawahar Rojgar Yojana, etc.
- xv) Helps entrepreneurs in obtaining licenses from the Electricity Board, Water Supply Board, No Objection Certificates etc.

- xvi) Assist the entrepreneur to procure imported machinery and raw materials.
- xvii) Organizes marketing outlets in liaison with other government agencies.

Small Industrial Development Corporation (SIDCO)

SIDCO, a Government owned Public Sector Corporation, was established in November 1975 for the development and promotion for Small Scale Industries in Kerala. God's own Country, Kerala, is gifted with abundant natural resources essential for establishing Industrial Units and SIDCO is taking the initiative to set up industrial units. Kerala SIDCO as a 'Total Solution Provider' for Small Scale Sector offers all facilities and assistance to set up Small Scale Units across Kerala.

The corporation is rendering valuable assistance to the industrial sector in the State, including Consultancy Services at the beginning of the project to the Identification of Industrial Site, Commissioning of project, Providing infrastructure facilities, Distribution of essential raw materials, Marketing of the MSME Products, Undertaking civil and electrical works etc. Kerala SIDCO competently handles the necessary requisites of any project. Kerala SIDCO is now in the path of profit and is now granting basic facilities and marketing security to the industrialists and new entrepreneurs through its diversified activities and new working style. Currently, SIDCO is expanding its area of works by diversification to give new vision to MSME sector in Kerala.

SIDCO is a fully owned Government Corporation with its registered office at Trivandrum. SIDCO owns and operates production units, raw materials depots, Industrial Estates/ Mini Industrial Estates/

Industrial Parks, marketing cell/emporia/centres, Civil Construction Division, IT&TC Division etc. Kerala SIDCO has been distinguished as No.1 SIDCO among South Indian SIDCO's during 2010-2011 in the wake of the achievement of an unprecedented turnover. Add to its credential, Government of Kerala recognized the IT&TC Division of Kerala SIDCO as a Total Solution Provider to Government of Kerala.

SIDCO is playing a vital role for the promotion of Small Micro and Medium Industries in the State that provides more than 10000 direct employment opportunities and over 20,000 indirect employment opportunities, its activities to lift this sector is very vital from social and economic view point.

Activities of Small Industrial Development Corporation (SIDCO)

The major activities of SIDCO are under the following divisions.

- **Raw Material division:** SIDCO Raw Material Division is engaged in the distribution of various industrial raw materials to the small scale industries sector in Kerala. It also distributes iron and steel materials to Public Sector Undertakings in Kerala according to their requirements.
- **Production division:** Now 8 Production units and a Tool Room (TRTC) are functioning under Kerala SIDCO in various districts of the State. Government Departments, Public Sector Undertakings and Autonomous Bodies are free to purchase all types of furniture and other equipments produced in these units, without observing usual tender formalities.

- **Marketing division:** Provides assistance to SSI units for marketing their products. There are opportunities for export of the products of Kerala's SSI sector, Village Industries Sector etc., The Marketing Division is now having 7 Sales Emporia and 7 Marketing Centres at various districts of Kerala. The SSI units registered with SIDCO exhibit their products in the emporia for which SIDCO is not charging any fee. The Government of Kerala appointed Kerala SIDCO as sole channelizing Agent for procurement and supply of 20 products. Details of Sales Emporia and Marketing Centres listed separately.
- **Construction division:** The main functions of this Division is to undertake construction and maintenance work of sheds in Industrial Estates, Industrial Development Plots, providing infrastructure facilities for Industrial Growth Centres, setting up of Industrial Parks etc. In addition to these it undertakes civil works entrusted by the Industries Department, Public Sector Undertaking and Other autonomous bodies and Grama Panchayaths on centage basis.
- **Industrial Infrastructure division:** Kerala SIDCO owns 17 Conventional Industrial Estates and 36 Mini Industrial Estates which are functioning in different Districts of Kerala. There are 920 factory sheds in which more than 750 SSI units are functioning. The above said factory sheds were allotted on Lease basis, Hire Purchase basis and Out Right Purchase basis. A very few sheds are vacant for allotment preferably on

Out Right Purchase basis. In addition to these factory sheds, Industrial Plots are being allotted to the entrepreneurs in Industrial Estates, Mini Industrial Estates and Industrial Parks for constructing factory sheds of their own design to run industrial units.

Considering the importance of Small Scale Industries, as part of Government Policy, the scheme for setting up of One Industrial Park in each of the 140 Assembly Constituencies of the State is being implemented by SIDCO.

- **Information Technology and Telecommunication**

Division: SIDCO IT&T Division is providing software and hardware solutions to Central and State Government departments, Central and State Public Sector Undertakings, Local Self Government Bodies,

Autonomous Institutions and SSI units. The areas identified for business are

- a) Development & maintenance of software solutions & website development
- b) IT & Telecom products & Services
- c) Hardware products & Services
- d) Office Automation products & services
- e) Spares and other consumables

Kerala SIDCO Ltd IT &T Division supplies Hardware (servers, Laptops, Desktops & computer peripherals) Software solutions, Telecom products, Office automation products Annual Maintenance

contract, Third Party maintenance contract and repair and Maintenance Contract. Kerala SIDCO Ltd has empanelled accredited IT & Telecomm firms to execute projects undertaken. We are fully equipped to execute any IT & Telecom implementation as per Government Guidelines. Through our business partners we are capable of providing any solution which the clients demand and with the wide repertoire of qualified service personnel we can provide on call support for all our future clients located through the length and breadth of the State.

National Small Industries Corporation (NSIC)

National Small Industries Corporation (NSIC), is an ISO 9001:2015 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME). NSIC has been working to promote, aid and foster the growth of micro, small and medium enterprises in the country. NSIC operates through countrywide network of offices and Technical Centres in the Country. In addition, NSIC has set up Training cum Incubation Centre managed by professional manpower.

Mission: “To promote and support Micro, Small & Medium Enterprises (MSMEs) Sector” by providing integrated support services encompassing Marketing, Technology, Finance and other services.

Vision: “To be a premier Organization fostering the growth of Micro, Small and Medium Enterprises (MSMEs) Sector”.

Functions of National Small Industries Corporation (NSIC)

- 1) Provide machinery on hire-purchase schemes to small scale industries.
- 2) Provide equipment leasing facility.
- 3) Help in export marketing of the products of small-scale industries.
- 4) Participate in bulk purchase programme of the Government.
- 5) Develop prototype of machines and equipments to pass on to small-scale industries for commercial production.
- 6) Distribute basic raw material among small-scale industries through raw material depots.
- 7) Help in development and upgradation of technology and implementation of modernization programmes of small-scale industries.
- 8) Impart training in various industrial trades.
- 9) Set up small-scale industries in other developing countries on turn-key basis.
- 10) Undertake the construction of industrial estates.

Small Industries Development Bank of India (SIDBI)

It is a national institution for promotion, financing and development of small scale industries. It came to operation on April 2, 1990. SSI can avail financial assistance from SIDBI through its direct and indirect financial assistance programme. All the programmes of the SIDBI are directed to solve the problems of the SSIs in areas like, quality of upgradation, obsolescence of technology and technology improvement,

marketing, infrastructure development, delayed realization of bills, ancillarisation, export financing and venture capital financing.

Mission: To facilitate and strengthen credit flow to MSMEs and address both financial and developmental gaps in the MSME eco-system.

Vision: To emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution and for enhancement of share holder wealth and highest corporate values through modern technology platform.

Functions of Small Industries Development Bank of India (SIDBI)

1. Small Industries Development Bank of India refinances loans that are extended by the PLIs to the small-scale industrial units and also offers resources assistance to them.
2. SIDBI also serves the functions of discounting and rediscounting of bills of SSI units.
3. It also helps in expanding marketing channels for the products of SSI (Small Scale Industries) sector both in the domestic as well as international markets.
4. It offers services like factoring, leasing etc. to the industrial concerns in the small-scale sector.
5. It promotes employment-oriented industries particularly in semi-urban areas for creating employment opportunities and thus checking the relocation of people to the urban areas.

6. It also initiates steps for modernisation and technological up-gradation of current units.
7. It also enables the timely flow of credit for working capital as well as term loans to Small Scale Industries in cooperation with commercial banks.
8. It also co-promotes state-level venture funds.
9. SIDBI helps in National small scale industries making Hire purchase, leasing and marketing activities.
10. SIDBI provides various soft loans like Mahila vikas nidhi, National enquiry fund, Mahila udayam Nidhi and also provides seed capital to the start ups.

Khadi Village Industry Commission (KVIC)

The Khadi and Village Industries Commission was established by an Act of Parliament in 1956. Promoting Khadi and Village Industries in the rural areas is the basic objective of KVIC. It provides marketing support to the rural industries. KVIC and established retail outlets throughout India for selling the products of the rural industries.

There are 30 State Khadi and Village Industries Board functioning in India to cater to the needs of the Khadi and Village industries. The KVIC provides necessary support needed to the entrepreneurs through State Khadi and Village Industries Boards and Khadi and Village Industries Programme.

Khadi and Village Industries Board in Collaboration with the concerned District Rural Development Authority has brought out the following developments:

- Upgrading of Khadi and Village industries technology.

- Improving quality of KVI products
- Establishing rapport with exporters for exporting KVI products
- Utilising distribution network of large scale and reputed business houses.
- Expanding need based product line in KVI.

Functions of KVIC

The following are the functions of Khadi Village and Industries Commission:

1. It plans, promotes, organizes, and implements programmes for the development of Khadi and Village Industries (KVI).
2. It coordinates with multiple agencies that are engaged in rural development for several initiatives w.r.t khadi and village industries in rural areas.
3. It maintains a reserve of raw materials that can be further promoted in the supply-chain.
4. It aids in creating common service facilities that help in processing of raw materials.
5. It aids the marketing of KVI products through artisans and other avenues.
6. It creates linkages with multiple marketing agencies for the promotion and sale of KVI products.
7. It encourages and promotes research and development in the KVI sector.
8. It brings solutions to the problems associated with the KVI products by promoting research study and enhancing competitive capacity.

9. It also helps in providing financial assistance to the individuals and institutions related to the khadi and village industries.
10. It enforces guidelines to comply with the product standards to eliminate the production of in genuine products.
11. It is empowered to bring projects, programmes, schemes in relation to khadi and village industries' development.

Small Industries Service Institute (SISI)

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally known as central small industries organization (CSIO). Attached to the ministry, SIDO administers small industries service institute (SISI's). The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country. SISI has wide spectrum of technological, management and administrative tasks to perform.

Functions of SISI

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc.
2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;

5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for participation in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno economic feasible reports for selected areas and industries.
9. Identify the potential for ancillary development through subcontract exchanges;
10. Organize seminars, Workshops and Industries Clinics for the benefit of entrepreneurs.

Activities of SISI

- 1) The Small Industries Service Institutes have been generally organizing the following types of EDPs on specialized courses for different target groups like energy conservation, pollution control, Technology up-gradation, Quality improvement, Material handling, Management technique etc. as mentioned earlier.
- 2) General EDP for educated unemployed youth, ex-service personnel etc. for a duration of four weeks.
- 3) In these programmes, classroom lectures and discussions are held on issues such as facilities and assistance available from State and Central government agencies, banks, financial institutions and National Small Industries Corporation.
- 4) Apart from this, exposure is given information regarding market survey, product identification and selection, technologies involved, management of small enterprises, particularly in

matters relating to financial management, marketing, packaging and exports.

- 5) The participants also interact with successful small scale entrepreneurs as a part of their experience sharing Information of quality; possibilities of diversification and expansion are also given.
- 6) The entrepreneurs are helped to prepare Project Reports based on their own observations and studies for obtaining financial assistance as may be required.
- 7) Such courses have benefitted many entrepreneurs to set up units of their own choice.

Kerala Industrial Technical Consultancy Organisation (KITCO)

KITCO, the first Technical Consultancy Organisation (TCO) in India, was established in 1972 by Industrial Development Bank of India, other national and state level financial institutions, Govt. of Kerala and 7 Public Sector Banks for rendering services to Entrepreneurs, Govt. Departments/PSUs, Local Bodies, etc. Presently, Small Industries Development Bank of India (SIDBI) is the prime shareholder with 49.77% shares of the company.

Functions and services of Kerala Industrial Technical Consultancy Organisation (KITCO)

- The aim of setting up of TCO, which had the blessing of Govt. of India and the Reserve Bank of India, was to provide professional technical consultancy assistance to banks by appraisal of projects for priority sector lending and to entrepreneurs in the SME Sector by way of preparation of

Project Reports & Market Studies and conducting training programmes for entrepreneurship development. Subsequently similar TCOs were set up in almost all the states with one of the National Financial Institutions (IDBI, IFCI or ICICI) as the prime shareholder.

- Over the years, in line with the dynamic nature of its clients' requirements, KITCO has evolved into a multi-functional and multi-disciplinary organization offering a wide range of services to the industrial and infrastructure sector and to a wider spectrum of clientele including those outside the geographic bounds of Kerala.
- The diversification enabled KITCO to offer consultancy services for implementation of projects under one roof from “Concept to Commissioning” and obtain a stamp of approval from clients in other areas like Operation & Maintenance, Energy Audits, Asset Valuation, Skill Certification, Placement Services, etc.
- The major services offered by KITCO are Project Consultancy, Detailed Engineering & Project Execution, Technical Services, Environmental Engineering and HRD Consultancy. During the past 40 years, KITCO has extended consultancy services to a wide range of clientele, mainly public sector undertakings and various Departments of Govt. of India & Govt. of Kerala.
- KITCO has implemented more than 600 projects of varying magnitude across sectors like Airports, Office & Commercial Buildings, Institutional Buildings, Tourism, Industrial Parks/SEZs, Roads & Bridges, Industrial Plants, Water Supply Systems, Effluent Treatment Plants, etc., and prepared more

than 3500 Feasibility Reports/Bankable Project Reports/
Detailed Project Reports/Study Reports.

- KITCO has been successfully providing the Operation & Maintenance services for two leading SEZs in the country Cochin Special Economic Zone at Kochi and MEPZ SEZ at Tambaram.
- KITCO has trained more than 80,000 entrepreneurs through Entrepreneurship Development Programmes in various sectors.
- KITCO has been accredited as the Assessing Body under Skill Development Initiative (SDI) scheme of Ministry of Labour & Employment, Govt. of India and so far assessed more than 60,000 candidates from various State and Union Territories.
- KITCO has successfully implemented projects like Cochin International Airport Ltd., Titanium Sponge Project, International Marina, Cochin Special Economic Zone, etc and presently implementing a multimodal Mobility Hub at Cochin, all of which are first of its kind in the country in their own respect.
- KITCO has successfully completed the Phase-1 of CIAL Golf Course & Country Club and Ghallah Wentworth Golf Course at Muscat, Sultanate of Oman, thereby establishing itself in an area, which was considered to be the forte of European Consultants.
- The prestigious overseas assignments KITCO so far has completed include the technical evaluation of electrical power distribution network at King Abdul Aziz International Airport, Jeddah. KITCO has a full-fledged office facility at Cochin

with more than 250 competent and highly qualified professionals in various branches of engineering and also in the fields of Finance, Economics, Management, Information Technology, etc.

- Apart from the above, to meet the requirements from time to time, KITCO has a panel of Specialist Consultants in various fields. KITCO's revenue during 2012-13 was Rs.372.02 million. The company has been paying dividend consistently since 1997-98.

Science and Technology Entrepreneurship Development Project (STEDP)

The Government of India, in the year 1985, set up a National Science and technology Entrepreneurship Development Board (NSTEDB) particularly to encourage entrepreneurship amongst the Science and Technology persons and that too specifically in the industrially backward areas of the country. Besides, discovering of new resources and manufacturing techniques, remedying growing unemployment and achieving better industrialization in the country, too have been its other objectives. The NSTEDB therefore took up a special project entitled 'Science and Technology Entrepreneurship Development' (STED). For this, 12 districts which are industrially backward and have immense untapped and under tapped natural resources had been selected under this project from all over the country from most of the states. Jodhpur district in Rajasthan was selected as one of these centres. In this district, the project was started in the year 1985-86, under the control of Director, Science and Technology, Government, of Rajasthan, Jaipur.

The STED Project

In the project mode, the STED project aims to bring about a socio-economic development of an area through the intervention of Science & Technology. The project envisages matching of the material and the human resources of the district to create new enterprises and employment by usage of Science & Technology processes. It involves identification of opportunities through a detailed scientific survey and exploitation of the opportunities thus identified by the entrepreneurs. The total project life is four years. Currently the STED project is being implemented in 43 districts of the country.

Objectives / Activities of STEDP

The broad objectives of the project are:-

- To identify possible resource based projects in the region covering both rural and urban areas.
- To identify S&T intervention (like technology selection, modification, alteration and dissemination) for exploiting the opportunities by prospective entrepreneurs.
- To improve working of existing enterprises through S&T intervention to upgrade the technology and modernisation of units.
- To organise regular enterprise awareness programmes and skill development programmes for creating suitable entrepreneurial environment in the district.
- To launch at least 200 micro-enterprises in the district during the four years of duration in which at least 50 technology-driven micro-enterprises are to be in technology specific areas as identified by the implementing agency earlier.

Strategies of National Entrepreneurship Development Board (NEDB)

Objective

The main objective of the National Entrepreneurship Development Board (NEDB) Scheme is promotion of entrepreneurship for encouraging self-employment in small-scale industries and small business.

Functions of NEDB

The main functions of NEDB are to:

- Identify and remove entry barriers for potential entrepreneurs (first generation and new entrepreneurs) including study on Entrepreneurship development.
- Focus on existing entrepreneurs in small sector and identify and remove constraints to survivals, growth and continuously improve performance.
- Facilitate the consolidation, growth and diversification of the existing entrepreneurial venture in all possible ways.
- Support skill up-gradation and renewal of learning processes among practicing entrepreneurs and managers of small and medium enterprises.
- Support agencies about the current requirement of growth in the area of entrepreneurship.
- Act as catalyst to institutionalise entrepreneurship development by supporting and strengthening state level institutions for entrepreneurship development.

- Setting up of incubators by entrepreneurship development institutions and other organisations devoted to the promotion of entrepreneurship development.

Eligibility

Any institution seeking financial assistance for the activities mentioned above relating to entrepreneurship development under the NEDB Scheme has to send their application giving details including objective, activities proposed to be covered, cost break-up, funding arrangements, details of the organisation including audited accounts of the last 3 years, etc. to the Joint Secretary, Ministry of Small Scale Industries.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

The National Institute for Entrepreneurship and Small Business Development (NIESBUD) was established in 1983 by the ministry of industry (now ministry of small scale industries), Govt. of India, as an apex body for coordinating and overseeing the activities of various institutions/agencies engaged in entrepreneurship development particularly in the area of small industry and small business. NIESBUD was registered as a society under the government of Indian societies Registration Act, XXI of 1860. It started up its functioning from 6th July 1983, it was established by the government of India as an apex body for coordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development, it was mainly in the areas of small industry and small business.

The policy, direction and guidance to the Institute is provided by its

Governing Council whose Chairman is the Minister of SSI. The Executive Committee consisting of Secretary (Small Scale Industry & ARI) as its Chairman and Executive Director of the Institute as its Member Secretary executes the policies and Decisions of the Governing Council through its whole-time Executive Director. NIESBUD “Setting the standards in Entrepreneurship and Small Business development since 1983” To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.

Objectives

- 1) To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.
- 2) To help/support and affiliate institutions/organizations in carrying out training and other entrepreneurship development related activities.
- 3) To serve as an apex national level resource institute for accelerating the process of entrepreneurship development ensuring its impact across the country and among all strata of the society.
- 4) To provide vital information and support to trainers, promoters and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.
- 5) To train trainers, promoters and consultants in various areas of entrepreneurship development.
- 6) To provide national/international forums for interaction and exchange of experiences helpful for policy formulation and modification at various levels.

- 7) To offer consultancy nationally/internationally for promotion of entrepreneurship and small business development.
- 8) To share internationally experience and expertise in entrepreneurship development.
- 9) To share experience and expertise in entrepreneurship development across National frontiers.

In order to attain its objectives NIESBUD carries out a wide range of activities such as the following.

- Evolving effective training strategies and methodology
- Standardizing model syllabus for training various target groups.
- Formulating scientific selection procedures.
- Developing training aids, manuals, and tools.
- Facilitating and supporting Central/state/other agencies in executing entrepreneurship development programmes.
- Conducting such programmes for promoters, trainers, and entrepreneurs who are not undertaken by other agencies.
- Maximizing benefits and accelerating the process of entrepreneurship development.
- Organizing all those activities that help develop entrepreneurial culture in the society.
- NIESBUD also serves as the secretariat for National Entrepreneurship development Board (NEDB), the apex body which determines policy for entrepreneurship development in the country.

- The institute, therefore, performs the task of processing the recommendations made by the Board.

Techno Park

Technopark Kerala refers to a technology park in Thiruvananthapuram (Trivandrum), India dedicated to electronics, software, and other Information Technology (IT) ventures. The technology park represents the first, and largest, in India. Launched in 1990, Technopark currently has 3.2 million square feet (310,000 square meters) of built-up space, serving as home to over 125 companies, which employ more than 17,000 professionals. They include one CMMI level 5 and PCMM level 5 company, four CMM Level 5, two CMM Level 3 and several ISO 9001 certified companies. The Government of Kerala promotes the Technopark with a mandate to nurture entrepreneurship and employment in the region. The policy of economic liberalisation initiated by the government of India in 1991 and the rapid growth of the global software industry during the 1990s has substantially contributed to the growth of Technopark. Over 70% of Kerala's IT exports come from Technopark.

The Indian government's initiative to establish Technopark, Kerala, arose from an awareness that economic success in the twenty-first century depended upon becoming competitive in the international market place in Information and Knowledge Technology. The Indian government understood that the traditional course of developing heavy industries before moving to clean industries could be modified with the advent of the Knowledge and Information Age. Shortly after the establishment of India as an independent republic, the importance of the computer, communications, and biological sciences became evident. The Indian government's support for the creation of Technopark, Kerala

from a campus embracing Indian and international companies to the establishment of a technology city has rightly gained the attention of the world community.

Functions of Techno park

1. Opportunities aplenty for development
2. Provision and maintenance of excellent infrastructure facilities
3. Establishment of a high security zone at low cost
4. Creation and sustenance of a world class working environment
5. Augmented employability quotient of youth
6. Enormous annual supply of fresh college pass outs to the work force
7. Lowest rate of manpower attrition
8. Environment friendly campus that aims to stay green
9. Reduction of waste and enhanced water and energy efficiency
10. Perfectly harmonious work settings

Incentives

The term “incentive”, generally means **encouraging productivity**. It is a motivational force, which encourages an entrepreneur to take a right decision and act upon it. The objective of providing incentives is to **motivate an entrepreneur** to set up a new venture in the larger interest of the nation and the society.

Government provides many types of incentives to entrepreneurs. These incentives help to increase productivity. It acts as a motivating force for the entrepreneur. These incentives are categorized as concession, subsidies and bounties. Subsidies are a one time lump sum amount given to the entrepreneur by the government. It is a financial help to

cover the cost. Bounty is a financial help provided to an industry so that it can compete with other units of the country as well as any foreign industry in the same business.

Importance

- 1. To eliminate Economic constraints:** Entrepreneurs face many types of constraints. e.g. lack of adequate infrastructure, far flung locations of supporting offices for projects, lack of related knowledge by entrepreneurs *viz.*, managerial know how, market intelligence, etc. Thus government incentives in the form of availability of power, concessional finance, capital investment subsidies, transport subsidies etc., aims at eliminating such constraints and promote entrepreneurship.
- 2. To bring about regional parity in development:** In our country there is imbalance in the development across different regions. Some are well established and some are underdeveloped. In order to see that there is equal development of all the regions, government provides special incentives for establishing entrepreneurs in the backward regions.
- 3. To enhance competitive capability:** In this competitive world small scale enterprises established by entrepreneurs face stiff competition from big firms. If they are not provided appropriate support from the government then they cannot survive and grow. Thus certain incentives are required. Eg: reservation policy, price preference, preferential purchase, etc., help to improve their competitive strength.

Entrepreneurs in the present globalized market economies are the engine of economic development. Due to their private ownership for majority of cases, entrepreneurial spirit, their

flexibility and adaptability and also their capability to react to challenges and changing environments, enterprises lead to sustainable growth and employment generation in a significant manner. Enterprises, especially small and medium enterprises are considered to have strategic importance in national economy for many reasons. Therefore government helps enterprises including small and medium ones by supporting entrepreneurs. By doing so, it is possible to create new job positions, increase gross domestic product (GDP) and rising living standard of population. Government provides support to entrepreneurs in the following ways.

4. **Training:** Basic training varies from product to product but will necessarily emphasise on sharpening of entrepreneurial skills. In this regard central and state government's technical institutions provide need based technical training. Entrepreneurship development programmes are conducted by many government organizations and non government institutions.
5. **Marketing assistance:** Government and non government agencies provide marketing assistance to entrepreneurs. Government promotes MSME products through exhibitions. NSIC directly markets the MSME product in the national and international market, NSIC manages single point registration scheme for manufacturers for government purchases. Enterprises registered under this scheme obtain the benefit of free tender documents and exemption from earnest money deposit and performance guarantee.
6. **Promotional schemes:** Government provides highest preference for development of MSME by formulating and

implementing conducive policies and government schemes. Government provides development land and sheds on actual cost basis with appropriate infrastructure. The government has designed the special schemes for specific purposes such as quality upgradation, common facilities, entrepreneurship development and consultancy services at minimal charges. The government provides financial support to entrepreneurs to obtain ISO 9000 certificate by providing up to 75% of actual cost with maximum ceiling of Rs 75000/-.

7. **Concession of Excise duty:** Government provides exemption to MSME units for a particular level of annual turnover from paying excise duty. The limit of turnover is variable.
8. **Credit facility:** Credit to micro, medium and small scale sector is covered under priority sector lending by banks. Small industries development bank of India (SIDBI) is mainly responsible for implementing various schemes of providing financial support to small entrepreneurs. Loans are also provided to small entrepreneurs by scheduled banks without collateral security. This limit is variable.

Classification of Incentives

Broadly, incentives include concessions, subsidies and bounties. Incentives may be financial or non-financial. Non financial incentives push an entrepreneur towards decision and action. Entrepreneurs in India are offered a number of incentives. These incentives normally aim at reducing some of the problems faced by small scale industrialists.

Subsidy: Subsidy is a financial assistance or a sum of money provided by a government, to an industry for public welfare or

interest. It is any financial aid, grant, or contribution. “Subsidy” means a **single lump sum of money** that is given by a Government to an entrepreneur to cover the cost.

Bounty: The term “Bounty” denotes a bonus or financial aid given to an industry to help it to compete with other units established in country or in a foreign market.

Examples of Incentives

Industrial estates, industrial complexes, availability of power, concessional finance, capital investment subsidy, transport subsidy, are few examples of incentives to solve constraints faced by entrepreneurs in small scale sector.

Schemes of State Governments

- The state governments also provide technical and other support services to MSME through their directorate of industries and district industries centre.
- In general all the state governments extend support of following types:
 - ✓ Deferment/ suspension of sales tax.
 - ✓ Power subsidy
 - ✓ Capital investment subsidies to new enterprises established in some selected districts.
 - ✓ Margin money/seed capital assistance schemes.
 - ✓ Priority in providing power connection/water connection.
 - ✓ Technical and consultancy support.

Need for Incentives and Subsidies

The need for incentives and subsidies arises for the following reasons:

- 1) **To Remove Regional Disparities in Development:** Industries may be concentrated and overcrowded in some regions, in order to correct this regional balance, incentives are provided to entrepreneurs. They will start new ventures in such backward areas. Thus the backward areas become developed and regional imbalances are corrected.
- 2) **To Provide Competitive Strength, Survival and Growth:** Several other incentives are provided for the survival and growth of industries. For example, reservation of products, price preference etc. will improve the competitive strength. Other concessions like concessional finance, tax relief etc., contribute their survival and growth.
- 3) **To Generate More Employment and Remove Unemployment:** Market adjustments and external economies play a significant role in the economic development of a country. Subsidies cause movement of entrepreneurs from developed areas to developing or backward areas. In short, incentives and subsidies serve as a catalyst to start a dynamic process of development.
- 4) **To Promote Entrepreneurship:** Industrial estates, availability of power, concessional finance, capital investment subsidy, transport subsidy etc, are few examples of subsidies which are aimed at encouraging entrepreneurs to take up new ventures.

Problems Relating to Subsidies

Some problems may arise in devising and implementing a subsidy system. They are as follows.

- A subsidy may remain unutilized.
- If the administration is inefficient or corrupt, subsidy will not produce the desired results.
- It is very difficult to measure the impact of subsidies.
- Subsidies may lead to inefficiency in the long run.
- Subsidies once introduced are difficult to withdraw.
- The administrative procedure must be effective.
- The cost of administering a subsidy should be considered.
- The subsidy scheme should be communicated to prospective beneficiaries.
- The quantum of subsidy should be adequate to produce the desired results.
- The target groups to whom the subsidy is to benefit should be clearly determined.

Module III

Micro Small and Medium Enterprises

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

Ministry of Micro, Small & Medium Enterprises (M/o MSME) envisions a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

Features

Following are some of the essential elements of MSMEs

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole
5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.
6. They also offer modern testing facilities and quality certification services.
7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

Objectives

Objects of the Micro, Small and Medium Enterprises Development Act, 2006 was framed with the following objects:

- (1) To facilitate the promotion and development of micro, small and medium scale enterprises;
- (2) To enhance the competitiveness of micro, small and medium enterprises;

- (3) To concentrate on the related matters of micro, small and medium enterprises;
- (4) To extend the scope of benefits from small-scale industries undertaking and ancillary industries to micro, small and medium enterprises.

Importance

Across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development. They are known to generate the highest rate of growth in the economy. MSMEs have driven India to new heights through requirements of low investment, flexible operations, and the capacity to develop appropriate native technology.

1. MSMEs employ around 120 million persons, becoming the second-largest employment generating sector after agriculture.
2. With approximately 45 lac units throughout the country, it contributes about 6.11% of GDP from manufacturing and 24.63% of the GDP from service activities.
3. MSME ministry targets to increase its contribution towards GDP by up to 50% by 2025 as India moves ahead to become a \$5 trillion economy
4. Contributing around 45% of overall Indian exports
5. MSMEs promote all-inclusive growth by providing employment opportunities, especially to people belonging to weaker sections of the society in rural areas.
6. MSMEs in tier-2 and tier-3 cities help in creating opportunities for people to use banking services and products, which can

amount to the final inclusion of the contribution of MSMEs for the economy.

7. MSMEs promote innovation by providing an opportunity to budding entrepreneurs to help them build creative products they and thereby boost competition in business and fuel the growth.

The Indian MSME sector provides silent support to the national economy and acts as a defense against global economic shock and adversities. Hence, we can say that India is propelling towards a robust global economy through a silent revolution powered by MSMEs.

Role of SME in the Economic Development

Since its formation, the MSME segment has proven to be a highly dynamic Indian economy sector. MSMEs produce and manufacture a variety of products for both domestic as well as international markets. They have helped promote the growth and development of khadi, village, and coir industries. They have collaborated and worked with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas.

MSMEs have played an essential role in providing employment opportunities in rural areas. They have helped in the industrialization of these areas with a low capital cost compared to the large industries. Acting as a complementary unit to large sectors, the MSME sector has enormously contributed to its socio-economic development.

MSMEs also contribute and play an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.

With the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defense materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers.

MSME Act 2006

As per MSME Act-2006, The MSMEs are classified into two categories;

- 1. Manufacturing Enterprises-**The enterprises engaged in the manufacture or production of goods (as per Development and Regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.
- 2. Service Enterprises:-**The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

In the month of February 2018, the Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved a change in the definition of the MSMEs.

Now MSMEs will be defined on the basis of ‘annual turnover’ instead of investment in plant & machinery/equipment.

Now let us know the Old definition of the MSMEs in India; 2018

Manufacturing Sector	
Enterprises	
Micro Enterprises	Annual turnover is less than Rs.5 cr.
Small Enterprises	Annual turnover is between Rs. 5 Cr to Rs. 75 cr.
Medium Enterprises	Annual turnover is between Rs. 75 Cr to Rs. 250 cr.
Service Sector	
Enterprises	
Micro Enterprises	Annual turnover is less than Rs.5 cr.
Small Enterprises	Annual turnover is between Rs. 5 Cr to Rs. 75 cr.
Medium Enterprises	Annual turnover is between Rs. 75 Cr to Rs. 250 cr.

New Definition of MSME in 2020:-

Existing and Revised Definition of MSMEs



Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

Contribution of the Micro, Small and Medium Enterprises in the Indian economy is as follows;

- 1) At present, approximately 36.1 million units of Micro, Small and Medium Enterprises are engaged in production in India.
- 2) MSMEs provide employment to around 120 million people in India.
- 3) MSMEs are responsible for a 45% share of India's total export.
- 4) MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities.
- 5) The MSME sector has consistently grown at an average rate of 10% annually.
- 6) The contribution of this sector to the country's Gross Domestic Product is about 8%.
- 7) A study done by the Confederation of Indian Industries (CII) on the Indian MSMEs reveals that the MSME's contribution will be around 50% in the India's GDP by 2024.
- 8) Many units of MSMEs are located in rural areas, which are checking the migration from rural areas to urban areas.

Salient Features

Constitution of a National Board for Micro, Small and Medium Enterprises to:

- ✓ Examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programmes of the Central Government in this direction;

- ✓ Make recommendations for facilitating promotion and development of and enhancing the competitiveness of the micro, small and medium enterprises.
- ✓ Advise the Central Government on use of the Fund or Funds constituted under Section 12 of the Act.

Credit Guarantee Fund Trust Scheme for MSMEs

The Credit Guarantee Scheme for Micro and Small Enterprises (CGS) was launched by the Government of India (GoI) to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, GoI and Small Industries Development Bank of India (SIDBI), have established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Scheme for Micro and Small Enterprises. MSE meeting the eligibility criteria may approach eligible Banks / Financial Institutions/ Regional Rural Banks/NBFCs.

Eligibility / Applicability

New as well as existing Micro & Small Enterprises. Guarantee coverage ranges from 85% (For Micro Enterprise up to Rs 5 lakh) to 75% (For others). 50% coverage is for Retail Activity.

Nature of Assistance

The credit facilities which are eligible to be covered both for term loans and/or working capital are collateral free. Loan up to a limit of Rs. 200 lakh is available for individual MSE on payment of guarantee fee to bank by the MSE.

Industrial Estates

Industrial Estates are a cradle set up by the government for the growth of small scale sector. These are specific areas zoned for industrial activities in which infrastructure such as roads, power and other utility services are provided to facilitate the growth of industries and to minimize impacts on the environment.

An Industrial Estate is an area of land set aside for industrial development. The concept of setting up of Industrial Park is to enable to concentrate dedicated infrastructure in a delimited area to reduce the per-business expense of that infrastructure, to enable to attract new business by providing an integrated infrastructure in one location, etc.

By investing in an Industrial Estate, one can achieve environmental improvement, cost saving, social improvement etc., through

- effective dissemination of instruments and management methods between companies located inside the Industrial Estate
- close co-operation of companies with respect to economic, environmental and social issues
- improved communication between stake holders and customers
- Synergy effects through joint use of infrastructure, joint procurement of production resources and raw materials and by-products exchange.

Many of the Companies would have many years of experience which could be utilized for the conception planning and implementation of

further environmental and energy related projects and programmes.

The concept of setting up of Industrial Estate in all the Legislative Constituency with the help of the Grama Panchayats is to be worth considered as the overall industrial growth of the state. By setting up Industrial parks in all Districts, there will be a balanced growth of the industrial sector especially small and medium sector throughout the state. The production activities in the state will be increased in our state Kerala, which is a consumer state. SIDCO has 17 major Industrial Estates and 36 Mini Industrial Estates with a total area of 270.30271 acres of land and 923 industrial sheds. Allotments of land and sheds are made on rental / ORS basis. Whenever land/sheds fall idle or the unit holder becomes defaulter of dues, such land/sheds are resumed/evicted and re-allotted to other industrial entrepreneurs. The entrepreneurs who have remitted the full value of sheds/land purchased on ORS are given sale deed. SIDCO has carried out many developmental works like street lighting, internal road and providing water supply to the units in the Industrial Estates and Mini Industrial Estates.

The main objective of establishing Industrial estates is to attract industries to industrially backward areas, which will make the country a regionally well-balanced one.

The United Nations has defined an industrial estate as “a planned cluster of industrial enterprises offering standard factory buildings erected in advance of demand and variety of services and facilities to the occupants”.

Objectives of Industrial Estates:

The main objectives of the establishment of industrial estates are to:

- 1) Provide infrastructure and accommodation facilities to the entrepreneurs;
- 2) Encourage the development of small-scale industries in the country;
- 3) Decentralise industries to the rural and backward areas;
- 4) Encourage ancillarisation in surroundings of major industrial units; and
- 5) Develop entrepreneurship by creating a congenial climate to run the industries in these estates/area /township, etc.

Classification

The following are the types of industrial estates:

I. On The Basis of Functions:

On the basis of functions, industrial estates are broadly classified into two types:

1. General Type Industrial Estate:

These are also called as conventional or composite industrial estates. These provide accommodation to a wide variety and range of industrial concerns.

The Indian Industrial estates are mainly of this type:

2. Special Type Industrial Estate:

This type of industrial estates is constructed for specific industrial units, which are vertically or horizontally independent.

II. On the basis of Organizational set-up:

On this basis, industrial estates are classified into following four types:

1. Government Industrial Estates,
2. Private Industrial Estates,
3. Co-operative Industrial Estates.
4. Municipal Industrial Estates

III. On the Basis of the Other Variants:

On the basis of other variants, industrial estates are classified into following three types:

- (a) **Ancillary Industrial Estates:** In such industrial estates, only those small- scale units are housed which are ancillary to a particular large industry. Examples of such units are like one attached to the HMT, Bangalore.
- (b) **Functional Industrial Estates:** Industrial units manufacturing the same product are usually housed in these industrial estates. These Industrial estates also serve as a base for expansion of small units into large units.
- (c) **The Workshop -bay:** Such types of industrial estates are constructed mainly for very small firms engaged in repair work.

Benefits of Industrial Estates

1. **Provision of Premises and Amenities at a Reasonable Cost**
Industrial estate provides premises i.e. Land and Factory Shed for the establishment of a new industrial undertaking and also other amenities such as power, water, transport etc. at a reasonable, cost. Hence the entrepreneur is able to produce goods at cheaper costs.

2. **Availability of Service Centers**

As each and every SSI unit established in an industrial estate cannot afford to have their own service centers, the industrial estate itself provides for a repair shop, a testing laboratory etc. for the common benefit of all SSI units situated there.

3. **Minimum Initial Capital**

Since reasonable sheds are offered to the industrialists either on hire purchase basis or on rental basis, they need not spend a huge amount initially for the construction of the factory building etc. Thus the initial capital investment is less.

4. **Avoidance of Unnecessary Delays**

While starting an industrial unit an entrepreneur is required to comply with various rules and regulations regarding the location of factory sheds and obtaining infrastructural facilities. But if an entrepreneur obtains a ready-made premises in an industrial estate, he need not worry about all these things as they are constructed by the Government itself by taking into consideration all these formalities well in advance. Hence the unnecessary delay is avoided.

5. **Cordial Relationship between the Industrialists**

A rapid growth of the industrial units is made possible by fostering complementary relationship among them. For instance, some units may obtain raw materials and semi-finished goods as inputs from other units in the same estate or offer a part of the production to the ancillary units in the same area.

Green Channel

Like the Airport Green Channel, the MSME Green Channel will be an easy walkthrough to all Government sanctioned Checks.

Companies that have A-Rating will pass through all Customs and GST Checkpoints without being subjected to inspection. This ease of access will in fact promote business holders to keep their records clean.

- Companies with rating between 61% - 80%, will be subject to minimum inspection by any one department of the MSME Ministry.
- Companies with rating between 41% -60%, will be subject to inspection by the GST department.
- Companies with rating between 21% -40% will be subject to inspection from 2 departments.
- Companies with rating below 20%, will be subject to the usual norms at inspections and checkpoints.

This hypothetical scheme will reduce a lot of paperwork, the manpower and time of which can be diverted into increasing productivity. Increased productivity, means more employment opportunities and increased revenue to the Government through these Green channel approved Companies.

Potential Incentives of the A-Rating system

- The Government could partner with A-Rated companies for Skill Training. Grants would be given towards engagement and training of new labour, wherein the Intern's or Trainee's salary would be borne by the Government, for an initial period of 18-24 months.

- Decrease in the EMD i.e. the Bank guarantee amount to enable MSME companies to engage in large scale government projects. A Floating amount could also be agreed upon with least value on larger project sizes, gradually increasing to 10% as project value decreases.
- Strict and secure tender application process, which will be tamper proof. Selection must be based on merit, expertise and financial credibility alone.
- Prime share of business under ‘Make in India’, to be generated from MSME.
- Special status and subsidies for companies that promote the Indian handicraft Industry.
- Creating a uniform base for online payments, gradually eliminating financial movement through cash and cheques. This will ensure all transactions are transparent and are as per the papers. Bill discounting at attractive rates, to be made available to all MSME, to add liquidity in cash flow.

These are all potential benefits that can be availed when a refined rating system and a Green Channel are introduced for MSME’s. These schemes will incentivise more people to start businesses, without the anxiety of facing hurdles at all points.

Bridge Capital

Bridge financing is a form of temporary financing intended to cover a company’s short-term costs until the moment when regular long-term financing is secured. Thus, it is named as bridge financing since it is like a bridge that connects a company to debt capital through short-term borrowings.

Bridge financing is a great way for smaller businesses to finance an acquisition or other short term need while they secure longer term financing. While traditionally used between equity rounds for startups or preparing for an IPO, more and more middle market businesses are using bridge financing to take advantage of unique opportunities to grow their businesses.

Bridge financing is otherwise referred to as swing loans, interim loans, or gap financing. It is a short-term loan that you expect to repay with the proceeds of an anticipated larger transaction, allowing you to complete an opportunistic deal. For middle market companies, sometimes bridge financing can be a perfect solution, as one company we know well found out recently.

Seed Capital Assistance

Assistance of up to Rs.1.00 Cr. as grants in aid for the seed capital support to appropriate Incubates shall be provided. Financial assistance may be given in the form of soft loan, interest free loan, equity participation, grant or combination of these etc.

Various expert agencies may be empanelled as Business Enablers with the approval of PMAC and they will play a pivotal role in commercialization of ideas. They will get associated with projects/ideas at the time of seeking SEED capital support. Enablers will prepare business plans of ideas for its commercialization and also conduct market survey and provide necessary consultancy or advisory services on various issues involved in commercialization of idea. Business plan should also include recovery mechanism of SEED capital support to HI so as to be utilized for other projects. They will play a crucial role

in getting the MSME selected for Proof of Concept validation as well as the seed funding round. Process and methodology for engaging Enablers will be decided and approved by committee. Fees paid to Enablers will be covered under the SEED Capital support fund.

Govt. of Kerala has introduced the Seed Support scheme to provide financial assistance to startups to foster the formation and development of innovative, technology-based business enterprises that will stimulate the economy of the State of Kerala through venture creations, increased employment and leveraging of private investment. This scheme is implemented through Kerala Startup Mission, which is the nodal agency of Govt. of Kerala for startup related activities and schemes.

The upper limit of seed support to a startup is Rs. 15 lakhs.

Eligibility Criteria

- Startup should be a registered company in Kerala as an LLP or Pvt. Ltd company and should have an active registration at the time of application.
- The startup must be working in an innovative product or technology. The seed fund is not generally given for service startups and SMEs working in trade and commerce.
- The seed support would generally cater to prototype/MVP stage financing for commercialization of the indigenous ideas, innovations and technologies.
- Preference will be given to startups with DIPP startup certification. In any case the startups shall get such certification before the release of second installment of seed capital.

- The startups shall not have any other pending dues with any of the Government agencies and shall not be blacklisted by any Govt. agency in India.

Margin Money Schemes

Objective

The objective of the scheme is to assist deserving entrepreneurs in setting up small scale industrial units by way of providing soft loan to raise the required equity insisted by the financing institutions.

Eligibility

Only newly registered SSI units are eligible for this scheme. Preference is given to tiny sectors, units owned by technocrats, women, handicapped persons, ex-service men and persons belonging to scheduled castes/tribes.

Limit

Margin Money Loan is given for both term loan and working capital loan. It is limited to 20% of the cost of project or of the total working capital requirement or 50% of the margin stipulated by the financing institution either for term loan or working capital loan, whichever is less. The maximum limit of margin money loan is Rs .25 million. The interest rate is 9% per annum.

Repayment

The loan must be repaid in 16 equal quarterly installments. In the case of term loan the first installment of repayment is due on three months after the date on which the last installment of the term loan falls due /

51st month of the disbursement of the margin money loan whichever is earlier. In the case of working capital loan first installment of repayment is due on completion of the 51st month from the date of disbursement.

Single Window System

The key objective of the Single Window Portal is to ensure time bound processing of applications and issue of clearances by various departments of the state for establishing/ expanding an Enterprise (includes both Manufacturing Industries, and Services Industries) and for services that are required during normal course of business including renewals. Some of the key features of the Single Window Portal are:

- Single point acceptance and electronic distribution of applications to the respective Competent Authorities without the need for Applicants to physically visit the offices.
- Custom generation of forms for individual Competent Authorities along with requisite attachments.
- Single point of capture of information with the feature of auto population of data.
- Online approval by concerned Competent Authorities and provision to download the certificate online.
- Online tracking / automatic alerts to applicants through SMS/ Emails.
- Customized online MIS reports for monitoring at different levels.

- Provision of deemed approval, in case the concerned Competent Authority fails to decide on the application within the time limit.
- Provision for the applicant to raise grievances online through Single Window Portal.

Sickness

Sickness in MSME sector is a cause of concern. The definition of sickness in MSME sector has been undergoing changes over time. The Reserve Bank of India (RBI) has appointed committees from time to time to look into this issue. The working group on rehabilitation of sick units set by the RBI (Kohli Committee) has defined sickness as “a small scale industrial unit is considered as sick when if any of the borrowable accounts of the unit remains substandard for more than six months, i.e., principal or interest, in respect of any of its borrowable accounts has remained overdue for a period exceeding one year will remain unchanged even if the present period for classification of an account as substandard is reduced in due course; or there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year, and the unit has been in commercial production for at least two years”.

The sick industries are unable to utilize the production capacity or produced goods and services. The sickness has been acute and adversely affecting production and employment in the country besides other socio-economic repercussions, so there is need to identify sickness in the initial stages and to initiate the process of corrective measure and revive/ rehabilitation before the sickness assumes a serious proportion.

An industrial unit is considered sick when its financial position is not satisfactory and it becomes worse year after year. It incurs losses and its capital reserves may be stretched out in course of time. The increasing trend in Industrial sickness touching all types of units including Small, Medium and Large Scale Industrial Sectors, but Small Scale Industries are more prone to sickness as compared to medium and large scale industries. The sickness does not occur all of a sudden. A healthy unit shows profit and has positive values of net working capital and net worth. But when it tends towards sickness one of these may become negative.

Major Causes of Sickness

The small-scale industrial (SSI) sector is the worst hit. A number of Small Scale Industries are either born sick or stay sick. The earlier the detection of sickness, the earlier will be the remedy for sickness. As soon as they are detected as sick, immediate actions require curing them. The reasons for sickness are different in different units. The main reasons of sickness are management failure, non-availability of raw materials, power cuts, labour unrest, marketing problem etc.

Most of the Indian authors have classified the causes of industrial sickness under two important categories as follows;

Internal Causes for Sickness

Internal causes are the factors which are within the control of management. This sickness arises due to internal disorder in the areas as follow;

- a) **Lack of finance:** This includes weak equity base, poor

utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.

- b) **Bad production policies:** The another very important reason for sickness is wrong selection of site which is related to production, inappropriate Plant & Machinery, bad maintenance of Plant & Machinery, lack of quality control & lack of standard research & development.
- c) **Marketing and sickness:** This is another part which always affects the health of any sector as well as SSI. This including wrong demand forecasting, selection of inappropriate production mix, absence of product planning, wrong market research method and bad sales promotions.
- d) **Inappropriate personnel management:** The another internal reason for the sickness is inappropriate personnel management policies which include bad wages and salary administration, bad labour relations, lack of behavioral approach causes dissatisfaction among the employees and workers.
- e) **Ineffective corporate management:** Another reason of sickness is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of co-ordination and control etc. External Causes of Sickness The external causes are those which affect industrial group as a whole and on these the industry has no direct control.

Following are some external causes:

- a) **Personnel constraints:** The first and most important reason for the sickness are non availability of skilled labour or manpower, wages disparity in similar industry and general labour invested in the area.
- b) **Marketing constraints:** The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restraint of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by government and market recession.
- c) **Production constraints:** This is another cause of sickness which comes under external cause of sickness. This arises due to shortage of raw material, shortage of power, fuel and high prices, import-export restrictions.
- d) **Finance constrains:** The another external cause for sickness is credit restrains policy, delay in disbursement of loan by government, unfavourable investments & fear of nationalization.

Remedial Measures to Overcome Sickness

Some of the remedial measures to curb and overcome sickness in industrial undertakings are as follows:

1. Identifying Sickness at Initial Stage

Sickness in Small Scale Industries are not a sudden phenomenon but it is a gradual process taking 5 to 7 years eroding the health of a unit

beyond cure. Therefore, the identification and detection of the sickness at incipient stage is the first and foremost measure to detect and reduce industrial sickness. Sickness must be identified at initial stage.

2. Financial Assistance

Lending agencies need to relax their lengthy process and other norms for extending credit to the SSIs. To combat the incidence of sickness financial institutions should grant credit without delay to SSI sector.

A number of initiatives can be undertaken to overcome credit problems such as:

1. Increasing Working capital limit.
2. Enhancing the powers of bank managers of specialized bank branches in offering credit to SSI.
3. Strengthening the mechanism for discounting bills.
4. Reduced rate of interest.

These measures would improve the flow of credit and keep a check on the incidence of sickness.

3. Improving Infrastructure

Infrastructure facilities can be improved by setting up industrial estates. Common testing centres etc., infrastructural problems can be solved by improving the roadways, waterways, establishing telecommunication systems.

4. Technology Up-Gradation

Funds may be provided by the financial institutions for adoption of advanced technology. Similarly, some sort of training may be

provided for use of the latest technology to overcome technological problems. Technological up-gradation can help to overcome technological obsolescence.

5. Marketing Assistance

Marketing assistance may be provided to entrepreneurs for marketing the goods produced by them. Government must help to market the goods. Government and Non Government Organizations (N.G.Os) can come forward for marketing the goods produced by the SSI sector. The problem of poor marketing of the products can be solved by coordinated efforts of entrepreneurs and promotional agencies.

6. Liquidation

It is better to wind up the business when there is no possibility to revive the unit.

7. Government Interventions

Interventions must be made by the government to prevent sickness. Periodic review of financial statements can help to identify and prevent sickness at initial stage.

8. Training

A proper environment must be created where an entrepreneur will be educated and will have a proper knowledge, skill and experience about internal and external environment of business to compete with large-scale industries and multinational companies.

9. Rehabilitation

Potentially viable sick units should be dealt well for the purpose of

rehabilitation. Rehabilitation is a remedy considered for industrial units, which have already become sick and for the units that are on the verge of collapse.

Under the provisions of SICA, 1985, the Government of India has established Board for Industrial and Financial Reconstruction (BIFR) in January 1987 for determining the preventive, ameliorative, remedial and other measures which are required to be taken in respect of sick industrial company and for expeditious enforcement of rehabilitation schemes.

The main objective of SICA is to determine sickness and expedite the revival of potentially viable units or closure of unviable units (unit here in refers to a Sick Industrial Company). It was expected that by revival, idle investments in sick units will become productive and by closure, the locked up investments in unviable units would get released for productive use elsewhere.

The measures taken by BIFR are

1. Legal
2. Financial restructuring
3. Managerial

Rehabilitation Programmes

Taking into consideration the many sick micro, small and medium (MSM) industries, the MSM policy has provided a separate package for rehabilitation of such industries in India.

The policy proposes to set up a rehabilitation fund for sick industries,

which will be managed by the Industries Commissioner and the Director of Industries and Commerce. Funds will be infused into the committee based on the recommendation of a State-Level Rehabilitation Committee (SLRC).

The rehabilitation fund, among other things, will be used for meeting 75 percent of the cost of the cause that made the industry unviable, and to sanction an interest subsidy of 4 per cent for two years on rehabilitation/bridge loans up to Rs.15 lakh to the sick MSM industries.

The rehabilitation measures would ensure that most units under lockout would be able to open at an early date and appealed to MSM units to avail of the facilities the government was providing them.

The rehabilitation programme involves the following depending upon the nature of sickness.

1. Change of Management
2. Development of a suitable management information system
3. Settlement with the creditors for payment of their dues in a phased manner, taking into account the expected cash generation as per viability study.
4. Determination of the sources of additional funds needed to refinance.
5. Modernization of plant and equipment or expansion of an existing programme or even diversification of the products being manufactured.

6. Concession or relief or assistance allowed by the state level corporation, financial institutions and Central Government.

Registration of SSI

SSI registration is a registration provided by the Ministry of MSME. A business should obtain SSI registration in order to be eligible for a number of schemes, subsidies and other incentives provided by the Government to such SSI's. SSI registration can be obtained online too.

Overview of SSI Registration

SSI registration is provided by the Ministry of Micro, Small and Medium Enterprises through the Directorate of Industries of the State Government. The main logic behind the SSI registration is to set up new SSI businesses in India. SSI registration helps the business to be eligible for a number of subsidies given by the Government. We can also get SSI/MSME registration online through Udyam Registration. Let's look at the process of SSI/MSME registration online:

1. Visit the Udaym Registration portal and click on the "For New Entrepreneurs who are not Registered yet as MSME or those with EM-II".
2. Fill in your "Aadhaar Number" and "Name of the Entrepreneur" and click on the "Validate and Generate OTP" button.
3. You will receive OTP to your mobile number. Enter OPT on the PAN verification page will open. Enter PAN details and click on the "Validate PAN" button.

4. The Udyam Registration page will open. Fill in all the personal details and industry details such as industry name, address, bank account details and some common information and click on the “Submit and Get Final OTP” button.
5. With this the MSME registration is complete and a message of successful registration with a reference number will appear. After verification of registration, the MSME Registration Certificate is issued.

If a person wants to get registration for more than one industry then also he/she can opt for an individual SSI registration. The documents required for the SSI registration are Aadhar number and PAN number. No registration fees are required for the registration.

Eligibility Criteria for SSI Registration

SSI registration can be obtained for enterprises that are considered as micro and small enterprise under the MSME Act, 2006.

A micro enterprise is an enterprise whose investment in plant, machinery and equipment does not exceed Rs.1 crore, and turnover does not exceed Rs.5 crore.

A small enterprise is an enterprise whose investment in plant, machinery and equipment does not exceed Rs.10 crore, and turnover does not exceed Rs.50 crore.

Benefits of obtaining SSI Registration

- There are various tax rebates offered to SSI's.

- A credit for Minimum Alternate Tax (MAT) is allowed to be carried forward for up to 15 years instead of 10 years.
- There are many government tenders that are only open to the SSI. They get easy access to credit.
- Once registered the cost of acquiring a patent, or the cost of setting up the industry reduces as many rebates and concessions are available.
- Business registered as SSI are given higher preference for government license and certification.

Module IV

Setting up of Industrial unit

The potential entrepreneur would become an entrepreneur only when he owns an enterprise. The business enterprise to be set up can be a manufacturing venture, a trading firm or a service establishment. The manufacturing venture includes the steps required for setting up a trading firm or a service establishment also. The steps in setting up a small unit are as follows:

Steps Involved

1. Decision to be Self-employed:

This is the most crucial decision a person has to take shunning wage employment and opting for self-employment or entrepreneurship. He should know the advantages and risks of entrepreneurship.

2. Analysing strengths, weaknesses:

The potential entrepreneur has to analyse his strength, weaknesses, while deciding to go for entrepreneur career. This analysis enables him to know what type and size of business would be the most suitable. The strengths and weaknesses will vary from person to person.

3. Availability of own money:

No business can be created, with zero capital. The ‘Own Money’ concept means the funds available with an entrepreneur from his own source or family or friends. The size of the unit depends on the availability of ‘Own Money’ in short-term and long-term.

4. Scanning of business environment:

It is always essential on the part of an entrepreneur to study and understand the prevailing business environment in which they operate particularly the industrial policy, economic policy, licensing policy, legal environment, technological environment and above all the markets. In order to ensure success of his enterprise, the entrepreneur should scan the business opportunities and threats in the environment. He should study the administrative frame work, procedures, policies, rules and regulations and other formalities implemented by the government.

5. Training:

The person should undergo training for developing skills for entrepreneurship and developing technical, conceptual and managerial skills. Before going to start the enterprise, the potential entrepreneur must assess his own deficiencies, which he can compensate through training. He can attend the Entrepreneurial Development Programmes (EDP) conducted by institutes like DIC, SISI, TCOs, SBI, etc., These institutes are providing tailor-made Entrepreneurship Development Programmes (EDP) and skill upgradation training programmes for the benefit of the new entrepreneur, existing entrepreneurs and for the employees of the small scale industries.

6. Product Selection:

The next step and the most important step is to decide what business to venture into, the product or range of products that shall be selected for manufacture and in what quantity. The level of activity will help in determining the size of business and thus form of ownership. One could generate as many project ideas as one can through environment

scanning and short list a few of them. Closely examine with the help of opportunity analysis each one of them and zero in on to the final product or products.

7. Market Survey:

It is always convenient to manufacture an item but difficult to sell. So it is prudent or rational on the part of the entrepreneur to survey the market thoroughly before embarking upon production and ensure that the product chosen is in sufficient demand and is preferably in the growth phase of a product life cycle.

Market survey means systematic collection of data by the entrepreneur about the product for manufacture, demand-supply lag, extent of competition, frequency of demand, pattern and design of demand, its potential share in the market, pricing, distribution policy etc. The principle is to produce what actually people demand. The entrepreneur can contact for this the concerned authorities.

8. Selection of form of ownership/organisation:

A firm can be constituted as proprietorship, partnership, limited company (public or private) or co-operative society. This will depend upon the type, purpose and size of entrepreneur's business. One may also decide on the form of ownership, on the basis of resources in hand or from the point of view of investment.

9. Location:

The next step will be to decide the location where the unit is to be established. Will it be hired or owned? The size of plot, covered and open area and the exact site will have to be decided.

Decision about the location of unit is very important. Location

determines the success or failure of the enterprise. Location is selected after considering such factors such as nearness to market, sources of material and labour, modern infrastructural facilities etc.

10. Technology:

To manufacture any item, technology is used. Information on all available technologies should be collected by the entrepreneur and the most suitable one should be identified. This will also be useful to determine the type of machinery and equipment to be installed. Many institutions of government like DIC, TCO etc. research laboratories, R & D. divisions of big industries and certain consultancy agencies provide the manufacturing know-how.

11. Machinery and equipment:

Having chosen the technology, the machinery and equipment required for manufacturing, the chosen products have to be decided, suppliers have to be identified and their costs have to be estimated. One may have to plan well in advance for machinery and equipment especially if it has to be procured from outside the town, state or country.

12. Preparation of Project Report (Business Plan):

After deciding the form of ownership, location, technology for manufacturing, machinery and equipment, the entrepreneur should be ready to prepare his project report or the feasibility study. The economic viability and the technical feasibility of the product selected have to be established through a project report. A project report that may now be prepared will be helpful in formulating the production, marketing, financial and management plans. It will also be useful in obtaining finance, shed, power connection, water connection, raw material quotas, etc. The entrepreneur has to consider the guidelines

given by the Planning Commission in preparing the project report. The project report should indicate the vision of the promoter and short term and long term aspects of the project implementation.

13. Project appraisal:

Project appraisal means the assessment of a project. It is a technique for ex-ante analysis of a scheme or project while preparing to set up an enterprise, the entrepreneur has to carefully appraise the project from the stand point of economic, financial, technical, market, social and managerial aspects to arrive at the most socially-feasible enterprise. To avail the finance from the banks and financial institutions, a comprehensive appraisal of projects carrying techno- economic feasibility aspects should be undertaken by the entrepreneur.

Thus a project which is selected should be technically feasible and economically viable and then only it will be bankable. For this the following appraisals can be performed at the preliminary level;

- (a) Economic appraisal
- (b) Financial appraisal
- (c) Technical appraisal
- (d) Management appraisal
- (e) Organisational appraisal
- (f) Operational appraisal
- (g) Market appraisal

14. Finance:

Finance is the life-blood of the enterprise. Entrepreneur has to take certain steps and follow specified norms of the financial institutions and banks to obtain money or finance. A number of financial agencies

provide capital assistance and venture capital for starting an enterprise. There are some agencies which provide financial assistance on concessional rates. Under PMRY and REGP schemes, financial assistance and subsidies are being provided to the persons who want to set up their own enterprise, which obviates the need for margin money.

15. Provisional Registration:

It is always worthwhile to get the unit registered with the government. The entrepreneur has to obtain the prescribed application form for provisional registration from DIC or Directorate of Industries. After having duly filled in the application form, he has to submit the application with all relevant documents in the local DIC or Directorate of Industries. This will enable the entrepreneur to avail various government facilities, assistance and incentives schemes including financial assistance from NSIC, SFCs and KVIC.

16. Technical know-how:

In some cases, technical know-how may be arranged for setting up enterprises. This can be arranged through TC0s, NSIC, SSIDC, DIC, private consultants, SISI, ED-institutes, foreign collaborators, India Investment Centre and Industry etc. Facilities are also available to SSI for making variety of technical know-how arrangements including turn-key jobs.

17. Power and Water Connection:

The sites where the enterprise will be located, should either have adequate power connections or this should be arranged. The entrepreneur can calculate the total power requirement and determine

the nearest pole from which power will be given to the enterprise, as it can materially affect the installation cost. There are two categories of power, namely, the Low Tension (LT) and High Tension (HT). A consumer can avail LT only if the connected load is 75 HP and below. If the connected load is between 75 HP and 130 HP, the consumer has the option to avail either LT supply or HT supply. Most of the SSI units fall under the LT category.

HT power supply may mean additional investment in transformer and sub-station. Most states, need a No Objection Certificate from the concerned Pollution Control Authorities, before the power connection. Similarly, the water connection will have to be obtained or provision should be made for adequate water supply to the firm.

18. Installation of machinery:

Having completed the above formalities, the next step is to procure machinery and begin its installation as per the plant layout.

19. Insurance:

It is necessary to have adequate insurance for the fixed assets at this stage and later on for the current assets as well.

20. Recruitment of manpower:

Once machines are installed, the need for manpower arises to run them. So, the quantum and type of manpower (skilled, semi-skilled, unskilled, administrative etc.) is to be decided. The sources of getting desired labour are also important. This follows the recruitment, training and placement.

21. Procurement of raw materials:

Raw materials are the important ingredients for running an enterprise.

The labour will require raw materials to work upon the installed machinery. These materials may be procured indigenously or may have to be imported by the entrepreneur. The entrepreneur has to identify the cheap and assured sources of supply of raw materials for running his own enterprise. Government agencies can assist in case the raw materials are scarce or imported.

22. Production:

The unit established should have an organisational set-up. To operate optimally, the organisation should employ its manpower, machinery and methods effectively. There should not be any wastage of manpower, machinery and materials. If items are exported, then the product and its packaging must be attractive. Production of the proposed item should be taken up in two stages:

- i) **Trial production:** Trial production will help tackling problems confronted in production and test marketing of the product. This will reduce the chances of losses in the eventuality of mistakes in project conception.
- ii) **Commercial Production:** Commercial production should be commenced only after the successfully launching the product at the test marketing stage.

23. Marketing:

Marketing is the most important activity as far as the entrepreneurial development is concerned. Various aspects like how to reach the customer, distribution channels, commission structure, pricing, advertising, publicity etc. have to be decided by the entrepreneur. Like production, marketing should also be attempted cautiously, that is, in two stages namely: (i) Test stage (ii) Commercial marketing stage.

Test marketing is necessary to save the enterprise from going into disrepute in case the product launched is not well accepted by the customers. It will also assist the entrepreneur in carrying out modifications or additions in designs and features of the product. Having successfully test marketed the product, commercial marketing can be undertaken. The entrepreneur can contact the Small Industries Marketing Corporation.

24. Quality Assurance:

Before marketing, the product quality certification from BIS (Bureau of Indian Standard) / AGMARK / HALLMARK etc. should be obtained depending upon the product. If there is no quality standards specified for the products, the entrepreneur should evolve his own quality control parameters. After all, quality ensures long-term success.

25. Permanent Registration:

After the small scale unit goes into production and marketing, it becomes eligible to get permanent registration based on its provisional registration from DIC or Directorate of Industries.

26. Market Research:

Once the product or service is introduced in the market, there is strong need for continuous market research to assess needs and areas for modification, upgradation and growth. Market becomes the waterloo for most SSI entrepreneurs as they ignore this vital function. Initial success should not lure the entrepreneur into a sense of complacency.

27. Monitoring:

Periodical monitoring and evaluation not only of markets but also

production, quality and profitability helps in knowing where the firm stands in comparison to performance envisaged in the business plan. It also identifies direction of future growth.

Environment for Entrepreneurship

Introduction

An entrepreneur has an infinitely wide choice with respect to his project in different dimensions such as product/service, market, technology, equipment, scale of production, time phasing and location. Hence, the identification of investment opportunities (projects) calls for understanding the environment in which one operates, sensitivity to emerging investment possibilities, imaginative analysis of a variety of factors and also chance of luck. This chapter is concerned with the scouting and screening of project ideas, steps in the project identification process and also consideration involved in identifying the new projects by an existing company.

Criteria for selecting particular Project

Project Ideas

It is the first and foremost task of an entrepreneur to find out suitable business which is feasible and promising and which merit further examination and appraisal. Therefore, he has to first search for a sound workable business idea and give a practical shape to his idea. While doing so, the entrepreneur has to tackle the various problems from time to time to achieve the ultimate success. Since the good project

ideas are elusive, a variety of sources should be tapped to stimulate the generation of project ideas.

Sources of Project Ideas

Project ideas could originate from the various sources viz.,

1. Success story of a friend/relatives
2. Experience of others in manufacture/sale of product
3. Examining the inputs and outputs of industries
4. Plan outlays and government guidelines
5. Suggestions of financial institutions and developmental agencies
6. Investigation of local materials and resources
7. Economic and social trend of the economy
8. New technological developments
9. Project profiles and industrial potential surveys
10. Visits to trade fairs
11. Unfulfilled psychological needs
12. Possibility of reviving sick units

The various sources from which the project idea can be generated are explained below:

1. Analyse the Performance of Existing Industries

A study of existing industries in terms of their profitability and capacity utilisation is helpful. The analysis of profitability and break-even level of various industries indicates promising investment opportunities. Opportunities which are profitable and relatively risk free. An examination of capacity utilisation of various industries provides information about the potential for further investment. Such a study becomes more useful if it is done region wise, particularly for products which have high transportation costs.

2. Examine the Inputs and Outputs of Industries

An analysis of the inputs required for various industries may throw up project ideas. Opportunities exist when

- i) materials purchased parts, or supplies are presently being procured from different sources with attendant time lag and transportation costs and
- ii) several firms produce internally some components/parts which can be supplied at a lower cost by a single manufacturer who can enjoy economies of scale.

A study of the output structure of existing industries may reveal opportunities for further processing of output or even processing of waste.

3. Examine Imports and Exports

An analysis of import statistics for a period of five to seven years is helpful in understanding the trend of imports of various goods and the potential for import substitution. Indigenous manufacture of goods currently imported is advantageous for several reasons:

- it improves the balance of payments situation
- it provides market for supporting industries and services
- it generates employment

Likewise, an examination of export statistics is useful in learning about the export possibilities of various products.

4. Plan Outlays and Government Guidelines

The government plays a very important role in our economy. Its proposed outlays in different sector provides useful pointers toward investment opportunities. They indicate the potential demand for goods and service required by different sectors.

5. Suggestions of Financial Institutions and Developmental Agencies

In a bid to promote development of industries in their respective states, state financial corporations state industrial development corporations and other developmental bodies conduct studies, prepare feasibility reports and offer suggestions to potential entrepreneur. The suggestions of these bodies are helpful in identifying promising projects.

6. Investigate Local Materials and Resources

A search for project ideas may begin with an investigation into local resources and skills, various ways of adding value to locally available materials may be examined. Similarly, the skills of local artisans may suggest products that may be profitably produced and marketed.

7. Analyse Economic and Social Trends

A study of economic and social trends is helpful in projecting demand for various goods and services. Changing economic conditions provide new business opportunities. A great awareness of the value of time is dawning on the public. Hence the demand for time saving products like prepared food items, ovens and powered vehicles has been increasing. Another change that we are witnessing is that the desire for leisure and recreational activities has been increasing. This has caused a growth in the market for recreational products and services.

8. Identify Unfulfilled Psychological Needs

For well established, multi brand product groups like bathing soaps, detergents, cosmetics and tooth pastes, the question to be asked is not whether there is an opportunity to manufacture something to satisfy an actual physical need but whether there are certain psychological needs of consumers which are presently unfulfilled. To find whether such an opportunity exists, the technique of spectrum analysis may be followed. This analysis is done somewhat as follows. Important factors influencing brand choice are identified respect of the factors identified in step gaps which exist in relation to consumer psychological needs are identified.

9. Visit to Trade Fairs

Attending the National and International trade fairs provides an excellent opportunity to know about new products and new development. The above said sources of project ideas may be generated by the Government agencies, credit institutions, non-governmental organisations and also by public.

The Govt. have largest resources and have the necessary information to generate project ideas and it plays a predominant role in this sphere. The government has the required facilities and manpower to conduct detailed studies which may lead to making investment decisions. Banks and other financial institutions are actively involved in sharing the social responsibility of achieving the national objectives of economic development. The co-operatives and non- governmental organisations as well as individual entrepreneurs are now actively participated in identification of projects.

Generating Project Ideas

After clearing some of the initial misconceptions about ideas, it's time to look at the process involved with generating ideas. Generating ideas is an innovative and creative process. Initially it seems difficult to think of many ideas and it will take some time, not only in the beginning stages of the entrepreneurial venture but also throughout the life of the business. The process of generating ideas we are going to discuss where ideas come from, ways to generate ideas and the role of structured approach, analysis and intuition.

Ways to Generate Ideas

The different structured approaches that might be adopted to generate ideas are:

1. Environment Scanning

One of the important techniques that can be used to generate ideas is environment scanning, the screening of large amounts of information to detect emerging trends. A humongous amount of information from popular news magazines, reviews, government and consumer publications, trade publications, commercials, etc. will have to be scanned. The challenge in this method is not having too little information to scan, its having too much. It seems like a lot of effort to work but if you are serious about being a successful entrepreneur in action, it is energy well spent.

2. Creativity and Creative Problem Solving

Creativity is the ability to combine ideas in a unique way or to make unusual associations between the ideas. It means cross thinking by seeing new angles, connections and approaches. The role of creativity and creative problem solving as a structured technique for

generating ideas is that a number of specific creative approaches can be used. For instance

- (i) **attribute listing** - in which entrepreneur develops a new idea by looking at the positive or negative attributes of a product or a service and so on.
- (ii) **free association** – whereby, an entrepreneur develops a new idea through a chain of word associations etc.,

3. Brainstorming

A group of persons sit together and generate a number of business ideas by innovating alternative ways of meeting the needs and solving problems. It is usually an unstructured discussion in which one idea leads to another. This is a very productive method for generating as many ideas as possible.

4. Focus Groups

These groups of individuals provide information about proposed products or services in a structured setting. In a typical focus group a moderator focuses the group discussion or whatever issues are being examined. For instance, a focus group might look at a proposed product and answer specific answer asked by the moderators. A focus group can provide an excellent way to generate new ideas and to screen proposed ideas and concepts.

5. Market Research

This is a method of gathering information about products/services that already exist in the market. A systematic and in-depth study is undertaken to obtain useful data to determine demand supply position for a particular product or service that is already available in the market. Such a research will help in getting new ideas for products and services.

Market and Demand Analysis

Present demand of the goods produced through the project. i.e., market facility (or) getting a feel of the market.

Future demand: A projection may be made about the future demand. The period normally depend upon the scale of investment.

Determining the extent of supply to meet the expected demand and arriving at the gap. Deciding in what way the project under consideration will have a reasonable chance to share the market. Anticipated rate of return on investment. If it is positive the project justifies the economic norm in the relationship between cost and demand.

Future demand can be estimated after failing into consideration the potentialities of the export market, the charges in the income and prices, the multiples use of the product, the probable expansion of industries and the growth of new industries. The share of the proposed project in the market could be identified by considering the factors affecting the supply position such as competitive position of the unit, existing and potential competitors, the extent of capacity utilisation, unit's costs advantages and disadvantages, structural changes and technological innovations bringing substitute into the market.

Feasibility Study

Centre for Entrepreneurship at University of Rochester explained that “a feasibility study can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem.”

The information gathered and presented in a feasibility study will help entrepreneurs to:

- List in detail all the things they need to make the business work;
- Identify logistical and other business-related problems and solutions;
- Develop marketing strategies to convince a bank or investor that their business is worth considering as an investment; and
- Serve as a solid foundation for developing their business plans.

Even if entrepreneurs have a great business idea they still have to find a cost-effective way to market and sell their products and services. For example, most commercial spaces lease place restrictions on businesses that can have a dramatic impact on income. A lease may limit business hours/days, parking spaces, restrict the product or service that can be offered in some cases, even limit the number of customers a business can receive each day.

Features

- A feasibility study is a process in which an idea is studied to see if it is “feasible,” that is, if and how it will work.
- A comprehensive feasibility study looks at the entire structure, needs, and operations of a business.
- A limited or project feasibility study looks at one specific task, program, idea, or problem.
- A feasibility study looks at both sides, considering advantages and disadvantages, and troubleshoots potential problems.
- A feasibility study is not a business plan, but serves as a foundation for developing a business plan.
- A market feasibility study is not a marketing plan, but studies markets and market potential, and can be used to support or develop a marketing plan.

- In addition to a business plan, an investor or lending institution may require the submission of a feasibility study before considering the request for capital.

Components of Feasibility Study

Project feasibility study comprises of market analysis, technical analysis, financial analysis, and social profitability analysis. The analysis is mainly interested only in the commercial profitability and thus examining only the market, technical and financial aspects of the project. But, generally the gamut of feasibility of a project covers the following areas.

1. Commercial and Economic Feasibility

The economic feasibility aspect of a project relates to the earning capacity of the project. Earnings of the project depends on the volume of sales. If taken into consideration the following important indicators.

- Present demand of the goods produced through the project. i.e., market facility (or) getting a feel of the market.
- Future demand: a projection may be made about the future demand. The period normally depend upon the scale of investment. Determining the extent of supply to meet the expected demand and arriving at the gap. Deciding in what way the project under consideration will have a reasonable chance to share the market.

The commercial feasibility of a project involves a study of the proposed arrangements for the purchase of raw materials and sale of finished products etc. This study comprises the following two aspects.

- Arriving at the physical requirement of production input such as raw materials, power, labour etc., at various level of output and converting them into cost. In other words, deciding costing pattern.
- Matching costs with revenues with a view to estimating the profitability of the project and the break-even point. The possibility ultimately decides whether the project will be a feasible proposition.

2. Technical Feasibility

The examination of this aspect requires a thorough assessment of the various requirements of the actual production process and includes a detailed estimate of the goods and services needed for the project. So, the feasibility report should give a description of the project in terms of technology to be used, requirement of equipment, labour and other inputs. Location of the project should be given special attention in relevance to technical feasibility. Another important feature of technical feasibility relates the types of technology to be adopted for the project. The exercise of technical feasibility is not done in isolation. The scheme has also to be viewed from economic considerations; otherwise, it may not be a practical proposition however sound technically it may be.

The promoters of the project can approach the problem of preparation of technical feasibility studies in the following order:

- Undertaking a preliminary study of technical requirements to have a quick evaluation.
- If preliminary investigation indicate favourable prospects working out further details of the project. The exercise begins with engineering and technical specifications and covers the

requirements of the proposed project as to quality, quantity and specification type of components of plant & machinery, accessories, raw materials, labour, fuel, power, water, effluent disposal transportation etc.

- Thus, the technical feasibility analysis is an attempt to study the project basically from a technician's angle. The main aspects to be considered under this study are: technology of the project, size of the plant, location of the project, pollution caused by the project production capacity of the project, strength of the project. Emergency or stand-by facilities required by the project sophistication such as automation, mechanical handling etc. required collaboration agreements, production inputs and implementation of the project.

3. Financial Feasibility

The main objective of this feasibility study is to assess the financial viability of the project. Here, the main emphasis is in the preparation of financial statement, so that the project can be evaluated in terms of various measures of commercial profitability and the magnitude of financing required can be determined. The decision about the financial feasibility of a project should be arrived at based on the following consideration:

- For existing companies, audited financial statements such as balance sheets, income statements and cash flow statements.
- For projects that involve new companies, statements of total project cost, initial capital requirements, and cash flow relative to the projective time table.

- Financial projections for future time periods, including income statements, cash flows and balance sheets.
- Supporting schedules for financial projections stating assumptions used as to collection period of sales, inventory levels, payment period of purchases and expenses and elements of production cost, selling administrative and financial expenses.
- Financial analysis showing return on investment return on equity, break-even volume and price analysis.
- If necessary sensibility analysis to identify items that have a large impact on profitability or possibly a risk analysis.

4. Managerial Feasibility

The success or failure of a project largely depends upon the ability of the project holder to manage the project. Project is a bundle of activities and each activity has its own role. For the success of a project, a project holder has to co-ordinate all the activities in such a way that the additive impact of different inputs can produce the desired result.

The ability to manage and organise all such inter related activities come within the concept of management. If the person in-charge of the project, has the ability, has the ability to manage all such activities, the desired result can be anticipated.

There are three ways to measure the managerial efficiency.

- Heredity skill
- Skill acquired through training.
- Skill acquired in course of work.

5. Social Feasibility

A project may cross all the above barriers mentioned above and found very suitable but it will lose its entire creditability, if it has no social acceptance. Though the social customs, conventions such as caste community, regional influence etc. are creating hindrance for development of a project should avoid all such social conflicts which will stand on the successful implementation of the project.

(e.g) Considering the interests of the general public; projects which offer large employment potential, which channelise the income from less developed areas will stimulate small industries.

In a nut shell, the feasibility report should highlight on these five testing stones before it can be declared as complete and only after judging through these indicators a project can be declared as viable and can be submitted for finance or any other assistance from any institutions.

Social Cost Benefit Analysis

In judging the overall worth of the project, the effect which the project will have on society as a whole is very material. While financial analysis evaluates a project from the profitability point of view, social cost benefit analysis views it from the point of view of rational viability, the cost-benefit analysis however takes into account not only the direct costs and benefits which will accrue to the project implementing body but also total costs which all entities connected with the project will have to bear and the benefits which will be enjoyed by all such entities. The idea here is to evaluate the project in terms of absolute costs and benefits rather than in terms apparent costs and benefits.

Government Regulations for Project Clearance

The govt. has two roles to play regulatory role and protective role.

Govt. regulates as well as protects small business. It plays the regulatory role by imposing certain restriction and formalities on small business. It provides assistance and support to small business.

- Industrial development significantly contributes towards economic growth. However, industrial progress brings along with it a host of environmental problems. Many of these problems could be avoided if industries are located on the basis of environmental considerations, injudicious siting of industry can seriously affect the environmental features such as air, water, land, flora, fauna, human settlements and health of people. The entrepreneur should be fully aware of these implications and he should take necessary steps while setting up the industry so as to minimise the possible adverse effects on the environmental resources and quality of life. Often, an entrepreneur finds it very costly to install pollution control equipment and other mitigative measures after the industry is already set up. As such, preventive steps are needed at the time of siting rather than going in for curative measures at a later stage.
- The Industrial Policy Statement of July 1980, recognized the need for preserving ecological balance and improving living conditions in the urban centers of the country. On the basis of this Policy, indiscriminate expansion of the existing industries and setting up of new industrial undertakings within the limits of metropolitan cities and the larger towns should not be permitted. However, the Policy has not touched upon the implications of setting up an industry in sensitive areas, either ecological or otherwise, which would have an effect on the overall development process.

- At present, industries are being located on the basis of raw material availability, access to the market, transport facilities and such other techno-economic considerations without adequate attention to environmental considerations are recognised as an important criterion for setting of industry.
- To prevent, air, water and soil pollution arising out of industrial projects, the industrial Licensing procedure requires that the entrepreneurs before setting up the industry obtain clearance from Central/State Air and Water Pollution Control Boards. The Central State Pollution Control Boards stipulate that air (gases) and water (effluents) emanating from the industry should adhere to certain quality standards. However, these stipulations do not prevent the industry from effecting the total environment by wrong siting. Also, the cumulative effect of a number of industries at a particular place is not being studied upon, with the result that an industry or an industrial area over a period of time could cause significant damage to the surrounding environment and ecological features.
- In respect of certain industrial development projects it is not only necessary to install suitable pollution control equipment but also to identify appropriate sites for their location. To give a concrete shape to this requirement, a select group of 20 industries has been notified by the Department of Industrial Development. A formalised procedure has been stipulated for site selection from environment angle with regard to these projects.
- According to this procedure for the select group of industries, the letters of intent should be converted to industrial licences only after the following conditions have been fulfilled:

- The State Director of Industries confirms that the site of the project has been approved from environmental angle by the competent State Authority.
- The entrepreneur commits both to the State Government and Central Government that he will install the appropriate equipment and implement the prescribed measures for the prevention and control of pollution.
- The concerned State Pollution Control Board has certified that the proposal meets with the environmental requirements and that the equipment installed or proposed to be installed are adequate and appropriate to the requirement.
- The State Department of Environment will be the competent authority for approval of project sites from environmental angle. In those States where such Departments have not yet been set up, approval should be obtained from the nodal agency designated for looking after environmental matters. With regard to projects where support from the Central Government/ International Agencies is envisaged and which come under the purview of Industrial Licensing, approval of the project site from environmental angle should be obtained from the Ministry of Environment and Forests, Government of India. The entrepreneur should provide the details of proposed project site, pollution abatement measures and such other relevant information as required for review from environmental angle.
- The entrepreneur will be required to submit half-yearly progress report on installation of pollution control devices to the respective State Pollution Control Boards. Depending on the nature and location of the project, the entrepreneur will be required to submit

comprehensive Environmental Impact Assessment Report, and Environment Management Plans.

Import of Capital Goods

Sometimes, capital goods like machinery, equipment, etc., are required to be imported by the entrepreneur. This is to enhance technology updation in the manufacturing process. STP/EHTP units are free to import capital goods for creating STP infrastructure, unless these are included in the prohibited list.

Software Technology Park (STP) Scheme

The STP Scheme is a 100% export-oriented scheme for the development and export of computer software, including export of professional services using communication links or physical media. As a unique scheme, it focuses on one sector, i.e. computer software. The scheme integrates the government concept of 100% Export Oriented Units (EOU) and Export Processing Zones (EPZ) and the concept of Science Parks/Technology Parks, as operating elsewhere in the world. The unique feature of the STP scheme is the provisioning of single- point contact services for member units, enabling them to conduct exports operations at a pace commensurate with international practices.

Scheme Benefits and Highlights

- Approvals are given under single window clearance system.
- An STP unit may be set up anywhere in India.
- Jurisdictional STPI authorities can clear projects costing less than Rs.100 million with Indian Investment.
- 100% foreign equity is permitted.

- All the imports of Hardware & Software in the STP units are completely duty free, import of second-hand capital goods are also permitted.
- Re-export of capital goods is also permitted.
- Simplified Minimum Export Performance norms i.e., “Positive Net Foreign Exchange Earnings”.
- Use of computer system for commercial training purposes is permissible subject to the condition that no computer terminals are installed outside the STP premises.
- Sales in the Domestic Tariff Area (DTA) are permissible.
- The capital goods purchased from the DTA are entitled for refund of GST.
- Capital invested by foreign entrepreneurs, know-how Fees, royalty, dividend etc., can be freely repatriated after payment of Income Taxes due on them, if any
- The items like computers and computers peripherals can be donated to recognized non- commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, organizations of Govt. of India, or Govt of a State or Union Territory without payment of any duties after two years of their import.
- 100 Percent Depreciation on computers and computer peripherals over a period of five years.

Electronic Hardware Technology Park (EHTP) Scheme

The EHTP Scheme is a 100% export-oriented scheme for the development and export of electronics hardware.

Scheme Benefits and Highlights

Units established under EHTP Scheme may carry out the following activities:

- Manufacture any item of electronic hardware for exports.
- Manufacture of both hardware and software in an integrated manner for exports.
- R&D activity, maintenance, testing and calibration services for electronics products meant for exports.
- EHTP units may import all types of goods, including capital goods free of duty as defined in the Export Import (EXIM) Policy, required by it for manufacture, services, production and processing or in connection therewith.
- The units shall also be permitted to import goods, including capital goods, free of cost or on loan from clients required for the approved activity.
- EHTP units may procure goods required by them for manufacture, services, production and processing or in connection therewith, duty free, from bonded warehouses.
- Simplified minimum export performance norms i.e. “Positive Net Foreign Exchange Earnings”.

Approval of Foreign Collaboration

Foreign collaboration is an alliance incorporated to carry on the agreed task collectively with the participation (role) of resident and non-resident entities. Foreign collaboration agreement entered into two or more companies, any of them being a foreign company for

their mutual benefits and thereby starting their business in another country with or without forming a separate company.

Foreign collaboration may take place mainly in three forms:

1. Collaboration between Indian and foreign private companies;
2. Collaboration between Indian government companies and foreign private companies; and
3. Collaboration between Indian Government and foreign government.

Following important points convey the meaning of foreign collaboration:

1. Foreign collaboration is a mutual co-operation between one or more resident and non- resident entities. In other words, for example, an alliance (a union or an association) between an abroad based company and a domestic company forms a foreign collaboration.
2. It is a strategic alliance between one or more resident and non-resident entities.
3. Only two or more resident (native) entities cannot make a foreign collaboration possible. For its formation and as per above definitions, it is mandatory that one or more non- resident (foreign) entities must always collaborate with one or more resident (domestic) entities.
4. Before starting a foreign collaboration, both entities, for example, a resident and non- resident company must always seek approval (permission) from the governmental authority of the domestic country.

5. During an ongoing process of seeking permission, the collaborating entities prepare a preliminary agreement.
6. According to this preliminary agreement, for example, the non-resident company agrees to provide finance, technology, machinery, know-how, management consultancy, technical experts, and so on. On the other hand, resident company promises to supply cheap labour, low-cost and quality rawmaterials, ample land for setting factories, etc.
7. After obtaining the necessary permission, individual representative of a resident and non- resident entity sign this preliminary agreement. Signature acts as a written acceptance to each other's expectations, terms and conditions. After signatures are exchanged, a contract is executed, and foreign collaboration gets established. Contract is a legally enforceable agreement. All contracts are agreements, but all agreements need not necessarily be a contract.
8. After establishing foreign collaboration, resident and non resident entity start business together in the domestic country.
9. Collaborating entities share their profits as per the profit-sharing ratio mentioned in their executed contract.
10. The tenure (term) of the foreign collaboration is specified in the written contract.

Guidelines for Foreign Collaboration Proposals

The Central Government has issued the following guidelines in connection with the formulation of proposals and agreements of foreign collaboration:

- i. Alternative sources:** The collaborator should explore, to fullest extent possible, alternative sources of technology,

evaluate them from a techno-economic point of view and furnish reasons for preferring a particular technology and the source of import.

- ii. Other arrangement:** There should not be any restriction on the Indian Company in the matter of procurement of capital goods, components, spares, raw materials, pricing policy, selling arrangement, etc.
- iii. Sub-licensing:** The Government expects that the technical collaboration agreement should generally not prohibit sub-licensing of the know-how, product-design or engineering design under agreement, to other Indian parties. Such sub-licensing, when it becomes necessary, is subject to terms to be mutually agreed by all parties concerned, including the foreign collaborator, and is subject to the approval of the Government. The collaboration agreements should not place any export restrictions to countries except where the collaborator has a sub-licensing agreement.
- iv. Minimum royalty:** There should be no requirement for the payment of a minimum guaranteed royalty regardless of the quantum and value of production.
- v. Exports:** To the fullest extent possible, there should be no restriction on free exports to all countries.
- vi. Brand names:** There should be no provision for the use of the foreign brand names on the products for internal sale, although there is no objection to their use on products to be exported.
- vii. Training-Research and development:** Adequate and suitable provisions should be made for the training of Indians in the fields of production and management. There should be

adequate arrangement for research and development, engineering design, training of technological personnel, and other measures for the absorption and adoption and development of the imported technology. Such measures can be undertaken through in house facilities of the entrepreneur or in collaboration with recognised engineering design consultancy, research and development organisations in the public or private sectors, and recognised scientific and educational institutions where the necessary facilities exist.

- viii. Consultancy service:** In case any consultancy is required to execute the project, it should be obtained from an Indian engineering consultancy firm. If a foreign consultancy firm is also considered necessary, an Indian consultancy firm should, nevertheless, be the prime consultant.
- ix. Patent laws:** If the proposed item of manufacture is to be covered by a patent in India, it should be ensured that the collaboration agreement includes a clause to the effect that the payment of royalty for the use of the patent rights till the expiry of the life of the patent, and that the Indian party would have the freedom to produce the item even after the expiry of the collaboration agreement without any additional payment.
- x. Indian laws:** Collaboration agreements will be subject to Indian laws.
- xi. Extensions:** Government does not favour requests for extensions of the duration of collaboration proposals. All efforts should, therefore, be made to assimilate the technology within the initial duration of the agreement.

Pollution Control Clearances

Under the Environment (Protection) Act, 1986, 24 categories of projects and industries will require environmental clearance from the Central Government.

- In addition, any project proposed to be located within 10 km of the boundary of a reserved forest or a designated ecologically sensitive area or within 25 Kms of the boundary of a national park or sanctuary will require environmental clearance from the Central Government.
- For all other projects, environmental clearance need to be obtained only at the level of the State Government. Clearance is required from the environmental (for site clearance) and pollution control angle, which has to be obtained by all units other than certain specified non-polluting units in the small scale sector.
- No Objection Certificate (NOC) for the site clearance usually involves clearance from the concerned State Pollution Control Board NOC is also required for adequacy of pollution control measures.
- In general, the State Pollution Control Board is the concerned authority which will be the State Pollution Control Board is the concerned authority which will usually specify certain pollution control measures to be taken by the unit.
- Pollution Control - State Pollution Control Board. A No Objection Certificate (NOC) should be obtained from the State Pollution Control Board before commencement of construction activity. In case the industry is of the highly polluting category, a full- fledged or rapid Environmental Impact

Assessment (EIA) study has to be carried out and submitted to the State Pollution Control Board for approval, after which the construction can commence.

- Industries requiring Water and Affecting Effluent Disposal from State Pollution Control Board and No Objection Certificate (NOC) should be obtained from the State Pollution Control Board before commencement of construction activity.

Setting up of Micro Small and Medium Enterprises

As soon as a person decides to become an entrepreneur and to start a MSME, he is required to take a number of steps and formalities one after the other. They are as follows:

- 1) **Scanning of Business Environment:** it is essential on the part of the entrepreneur to study and understand the prevailing business environment. Entrepreneur should scan the business opportunities and threats in the new environment. To study the administrative framework, procedure, rules and regulations and other formalities implemented by the government. The potential entrepreneur must assess his own deficiencies, which he can compensate through training.
- 2) **Selection of the Product:** The very success of one's venture will depend on the rationality of his decision in this regard. The economic viability of the product can be ascertained by considering certain demand aspects such as volume of demand in the domestic market, volume of demand in the export market, volume of potential demand, a degree of substitution of an existing product etc. The prospective entrepreneur has to identify the product based on market research or market survey.

- 3) **Selection of Form of Ownership:** He has to select sole proprietorship or family ownership or partnership or private limited company as the form of the ownership.
- 4) **Selection of Location and Site:** Location is selected after considering certain factors such as nearness to market, sources of material and labour, modern infrastructure facilities etc. The entrepreneur has to choose a suitable plot for the factory. He may purchase land directly or choose from an industrial area developed by State Development Corporations like SIDCO, or Directorate of Industries. In order to stimulate industrial growth, the government of Kerala is providing infrastructural assistance by way of
 - Developing areas.
 - Development Plots.
 - Industrial estates, and
 - Mini industrial units.
- 5) **Designing Capital Structure:** Apart from the own capital, he may secure finance from friends and relatives, term loans from banks and financial institutions.
- 6) **Acquiring Manufacturing Know-How or Technology:** Many institutions of government, research laboratories, research and development divisions of big industries and certain consultancy agencies provide the manufacturing know-how.
- 7) **Preparation of Project Report:** The report usually covers important items like sources of finance, availability of machinery and technical know-how, sources of raw material and labour, market potential and overall profitability.

8) Registration as a Small Scale Industry: Registration with Department of industries and Commerce is only optional. There is no statutory obligation, but small scale industries can avail various facilities, incentives and concessions offered by the state as well as central government only if they registered as SSI. The registration would be done in two stages.

i) Provisional Registration: It will be valid for one year with possible three extensions of six months each. It helps entrepreneur to take necessary steps to bring the units into existence. The provisional registration may enable the party to:

1. Apply to NSIC/SIDO and other institutions for procuring machines on H.P basis.
 2. Apply for power connection.
 3. Apply to local Bodies for permission to construct the shed to establish a unit.
 4. Apply for financial assistance to SFC/Banks or other financial institutions on the basis of project report.
 5. Obtain Excise, GST registration etc., whenever required.
 6. Apply for a shed in an industrial estate/ development site in an industrial area/ material for construction of shed as the case may be.
- 9) Obtaining Statutory License:** Any person should obtain the following licences and certificates before starting the venture:
- (A) License from Local Bodies For
- i) Construction of the building.
 - ii) Installation of plant and machinery.

- (B) License from the Directorate of Factories and Boilers For:
 - i) Approval of factory building.
 - ii) Registration under section 6, 7 and 85 of the Factory Act.
- (C) No Objection Certificate from State Pollution Control Board.

10) Apply for Power Connection: There are 2 categories of power, the Low Tension (LT) and High Tension (HT). A consumer can avail LT only if the connected load is 75 HP and below. If connected load is between 75 HP and 130 HP, the consumer has the option to avail either LT supply or HT supply.

11) Arrangement of Finance: Entrepreneur needs to acquire assists of 2 kinds namely Fixed assets and current assets. Long term finance is needed to acquire fixed assets like land, building, plant and machinery and for security deposits. Short term funds are required for acquiring current assets. Current assets are essential for the day to day working of the industry. Long term funds includes owner's capital, subsidy from central/ state govt., personal borrowings from friends and relatives and long term loans from financial institution like KFC and KSIDC.

12) Registration under the Sales Tax Act: Business enterprises are subject to three important taxes- Income Tax, Excise Duty and GST.

13) Installation of Machinery: Machinery should preferably be installed as per the plant layout.

- 14) Recruitment of Manpower:** The number and type of workers is to be decided. After this, the required workers should be recruited.
- 15) Procurement of Raw Material:** The raw materials may be procured indigenously or may have to be imported by the entrepreneur. The next step is to start production, which is taken up in two stages- Trial production and Commercial production having successfully test marketed the product, commercial marketing can be undertaken.
- 16) Application for Permanent Registration:** For this, application form has to be made to the GM of DIC through IEO/ Taluk Industries Officer. The GM should inform the entrepreneur of the date and time of inspection of the unit. On being satisfied a registration certificate may be issued by the Directorate of Industries within one month of the receipt of the application. The period of the certificate whether provisional or permanent will be for a period of 2 years. Renewal certificate would be affected by the GM (DIC) within a period of 3 months from the date of expiry of certificate.

Location Decision

Location decision is a broad subject, impacting many operational and logistical decisions, and location projects usually implicate long-term investments. On the other hand, an inappropriate business location can negatively affect a business performance, and may bankrupt an enterprise. Once a wrong location decision is made, it becomes extremely difficult and costly to change, particularly in large facilities. Thus, business owners/managers must choose not only a well

performing facility for the current situation, but also a viable facility for the lifetime of the company.

Factors Affecting Location Decision

When deciding on a location, the analysis to inform any location decision should include certain potential factors. There are various factors affecting the business owners' decision making processes. However, Business owners can control their location decisions but are not able to control single or combined location factors. This includes: rental rates, labour, the electricity tariffs, proximity to customers, competitors, or suppliers, and attractiveness of the location (in terms of considerations such as safety and culture).

Following points may be considered in selection of location.

- ✓ Availability of sufficient space
- ✓ Easy availability of Labour
- ✓ Availability of raw material at reasonable price
- ✓ Availability of industrial fuel and its supply
- ✓ Availability of transport facility
- ✓ Availability of power and degree of dependability of its supply
- ✓ Water supply as per requirement
- ✓ Facilities available for education, health, recreation, shopping, religious and social life and professional services
- ✓ Laws and regulations conducive for establishing a business unit
- ✓ Climate condition of the area
- ✓ Tax incentive available in that locality

- ✓ Nearness to the market
- ✓ Provision for disposal of waste
- ✓ Cheap power supply

Significance of Location

Location selection plays a significant role in the strategic design of an enterprise, especially international one. However, it is a complex process that does not allow a business to change its location frequently. Choosing the appropriate location among a given set of alternatives is difficult work requiring the assessment of both qualitative and quantitative factors.

One of the strategic decisions made by many enterprises is the location of their businesses. Render and Heizer affirmed that many companies throughout the world use the concept and techniques of location decision. Location has a considerable influence on the overall risk and profit of a business. Companies make location decisions infrequently usually because of the capacity of the facility or the changes of the labour productivity, exchange rate, cost and local attitudes.

Module V

Project Report

The project report is a document that contains all information regarding the proposed project. It is served as a blueprint of all operations to be undertaken for attaining the desired results. The project report is basically the business plan of action and clearly describes its goals and objectives. It is one that helps in converting the business idea into a productive venture without any chaos or confusion as it defines strategies for project execution.

Information from various aspects like technical, financial, economic, production and managerial are together constituted in project report for better understanding. It describes all inputs required for the accomplishment of a project so that they can be arranged accordingly at the right time.

The project report is an essential tool available with management for proper monitoring of operations and helps them in recognizing any problems. Managers through project reports are able to estimate all costs of operations and possible profitability of the proposed project.

Meaning & Definition

A Project Report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.

Project Report is a written document relating to any investment. It

contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial Institutions.

The project report contains detailed information about Land and buildings required, Manufacturing Capacity per annum, Manufacturing Process, Machinery & equipment along with their prices and specifications, Requirements of raw materials, Requirements of Power & Water, Manpower needs, Marketing Cost of the project, production, financial analyses and economic viability of the project.

Characteristics of Project Report

- 1. Scope:** The project report gives a clear picture of what is to be done or to be achieved. It describes the goals of the proposed project and activities to be undertaken for achieving these goals.
- 2. Resource:** It shows the means or resources required to meet the desired scope. Project report serves as the roadmap which tells the direction in which business should go for attaining its goals.
- 3. Time:** The project report denotes the standard time required for the completion of each and every task of the proposed project.
- 4. Quality:** The project report explains the desired standards to be achieved by the completion of all tasks. Limit of deviations that can be accepted from these defined standards are also contained in this report.

- 5. Risk:** Risk is an unavoidable factor associated with every business and needs to be monitored properly. The project report considers all risk factors that may arise at the completion of the proposed project and also tells the ways for recovering from these factors.

Need/Objectives/Purpose of Project Report

- 1. Selecting Best Investment Proposal:** Project report is an efficient tool for analyzing the status of any investment proposal. It shows the expected profitability and risk associated with the project and this way helps in choosing the best option.
- 2. Approval of Project:** It is essential for registration or approval purposes of the proposed project. Different authorities like District industries center, Directorate of industries, government departments, etc. require project reports for giving approval.
- 3. Tracking:** The Project report assists in tracking the current activities of the project. It helps team members and other stakeholders to check the project progress from time to time and helps in finding out any deviations against the original plan.
- 4. Visibility:** Another important advantage of having the project report is that it gives full insight into the project. It gives a clear description of activities to be undertaken and avoids any confusion or disorder.
- 5. Risk Identification:** Identification of risk is a significant step for the completion of every project. The project report enables in spotting the risk early and taking all corrective actions timely.
- 6. Cost Management:** Project report helps in managing the expenses through regular reporting of all activities. It sets the

standard cost of every operation in advance and helps in finding out any deviation in these costs through tracking of the project.

- 7. Financial Assistance:** It is an important tool for availing financial assistance from financial institutions or fund providers. The project report enables financial institutions in judging the profitability of the proposed project and then takes the decision accordingly for approving the funds.
- 8. Test Business Soundness:** Project report helps in testing the profitability and soundness of the proposed project. It tells the total estimated costs, possible income and risk associated with any proposal.

Requirements / Contents of a Project Report

Following are the contents of a project report:

1. General Information

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. Executive Summary

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of

functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. Organization Summary

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole proprietorship, partnership or Joint Stock Company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

4. Project Description

A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,
- Area required for the work shed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,
- Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. Marketing Plan

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation,
- Future prospects of the market,
- Sales objectives,
- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,
- It must indicate potential users of products and distribution channels to be used for distributing the product.

6. Capital Structure and operating cost

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owner's funds and borrowed funds. Working capital

requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital. Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing. This section must also spell out the operating cost.

7. Management Plan

The project report should state the following.

- a. Business experience of the promoters of the business,
- b. Details about the management team,
- c. Duties and responsibilities of team members,
- d. Current personnel needs of the organization,
- e. Methods of managing the business,
- f. Plans for hiring and training personnel,
- g. Programmes and policies of the management.

8. Financial Aspects

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years. The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years.

Break- even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.

9. Technical Aspects

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

10. Project Implementation

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11. Social responsibility

The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

General Principles of a Good Reporting System

A good reporting system helps the management in proper planning and controlling. If the reports are available to every level of management at the proper time, current activities may be regulated and controlled and necessary corrective actions may also be taken in time. Hence, some principles have been followed for making the

reporting system more effective. Such principles are briefly explained below.

- 1. Proper Flow of Information:** The information should be free flow from the proper place to the right end user of the report. Hence, the information should be presented in the right format and at a proper time so that it helps in planning and co-ordination. The flow of report should not be delayed at any cost. **Flow of information is a continuous activity.** Information may flow upward, downward or side ways within an organization. Orders, instructions, plans etc., may flow from top to bottom. Reports of grievances, suggestions etc. may flow from bottom to top. Notifications, letters, settlements and complaints may flow from outside. Annual Report, Financial Statement Analysis Report, Directors Report, Auditors report etc. may flow from inside to outside. Information flows as sideways from one manager to another at the same level through meetings, discussion etc.
- 2. Proper Timing:** The very purpose of preparation of report is **controlling the unfavourable activities.** Hence, the **report should be submitted at the required time at any cost.** If not so, there is no use of preparing such report. Moreover, the efforts used for preparing the report and time are also waste. In the case of routine report, the time schedule should be strictly adhered to. The absence of information at required time leads to taking wrong decision.
- 3. Accurate Information:** The report contains only accurate information. If wrong information are included in the report, it may lead to take wrong decision. Hence, the supply of **accurate information helps the managerial executives**

to understand the situation very clearly. At the same time, the presentation of accurate information in the report should not involve excessive cost of preparation and should not result in the delay in the presentation of report.

4. **Relevant Information:** Proper attention **should be devoted to include only relevant information** in the report. The inclusion of irrelevant information is waste one and increase the time in the report preparation. Moreover, the **irrelevant information confuse the end user** of the report.
5. **Basis of Comparison:** The information bestowed by reports will be helpful when it carries provision to compare with past figures, standards set or objectives. The trend of the variation can be find out only through the comparison. **Corrective action can be taken with the help of comparative information.**
6. **Reports should be Clear and Simple:** The very **purpose of preparing a report is helping the management** in planning, coordinating and controlling. Hence, the **report should be presented in very simple terms** and can be clearly understood by anybody. If not so, there is no meaning of preparing a report. The method of presenting a report is in such a way that attracts the eye of the readers and enables them to arrive at a conclusion. The arrangement of information in a report is in brief, complete, clear and simple.
7. **Cost:** The management incur some expenses with regard to report preparation. Such expenses should be commensurate with the benefits derived from the report preparation. If possible, more benefits may be available than the expenses incurred. In this way, reporting system can be installed. In other

words, there should be an **endeavor to make the system as economical as possible**.

- 8. Evaluation of Responsibility:** The reporting system has been installed in such a way **to evaluate the managerial responsibility**. The standards or targets are fixed for each functional department. The record of actual performance is monitored along with the standards so as to **enable management to assess the performance** of different individuals.

Performa of a Project Report

A project report for new business conducts a profound road map for effectual business venture. It discusses whether the business requires finance or not, the challenging risks, several problems en route, etc. Hence it becomes vital for every new business to prepare a project report, to acquaint them on forewarning issues.

Project report for New Business - Format

Below is the sequence of standard format which should be followed while preparing new business project report:

1. Background of the business.
2. Customer's profile
3. Long and short term Corporate Objectives
 - To perform a viability assessment of the proposed new business ideas in terms of marketability, technical feasibility, financing and authorities
 - To be able to prepare a relevant business plan
 - To recognize fundamental startup issues
4. Market Analysis

- Brief discussion on the type of market, chief influencers, players, etc.,
 - Market description.
 - Reasons for starting business in a particular market
 - Target clients
 - Advantages of the services offered by the new business
 - Market consumption patterns
 - Past and existing supply location
 - Production prospects and limitations
 - Exports and Imports
 - Price structure
 - Flexibility of demand
 - Client behavior, purposes, intentions, impetus, approaches, inclinations and needs
 - Supply network and marketing rules formulated by the government
 - Government and technical limitations imposed on the promotion of the product
5. Financial Assessment
- Investment expenditure and value of the entire project
 - Methods of investment
 - Anticipated productivity
 - Money flows of the project report
 - Investment value evaluated in context of different points of merit
 - Estimated financial ranking

- Marketing Assessment
 - Product
 - Price
 - Place
 - Promotion
6. Operational Plan
 - Business models
 - Production of goods and services
 7. Financial Plan
 8. Management Structure
 9. Business structure (Ownership, staff, etc.,)
 10. SWOT Analysis: Significant Success aspects depending on Strengths, Weaknesses, Opportunities and Threats to be faced by the firm in future
 11. Appendices
 - Break-Even Assessment
 - Profit and Loss Synopsis
 - Fund Flow Summary

Tips for designing an effectual Project report for New Business

While designing a project report for new business it is vital to keep the following points in consideration:

1) Target Market:

While making a new business project report it is significant to keep in mind the target market. For instance, if you are

preparing a report on debt financing, the focus should be on the assurance that the debt can be reimbursed by the company and not on the huge revenues that the firm has accrued.

2) Market approach:

The first approach towards preparing business report should be developing and assisting powerful business strategy. The report should describe the economic trends, clients and players. It should also explain on how to perform the chosen approach, the marketing of its products and functional competence.

3) Market Rivalry:

An industrialist should recognize at what point of time the firm will perform similar activities and when it will do things another way, in order to identify its strength and drawbacks. Concentrate on strategies which present you differently from your competitors, market products differently using various channels, etc.

4) Be practical:

Catalog realistic plans, for there are many unanticipated expenses, price overruns, issues that have been neglected, etc. Hence, predict future trends realistically to make a powerful project report.
